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FINAL REPORT

Contract No. 263-C-00-05-00063-00

Technical Assistance for Policy Reform II

January 20, 2011

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TECHNICAL ASSISTANCE FOR POLICY REFORM II

DELOITTE CONSULTING LLP

USAID/EGYPT POLICY AND PRIVATE SECTOR OFFICE

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(DELOITTE CONSULTING LLP) STRATEGIC OBJECTIVE 16

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EXECUTIVE SUMMARY

Egypt has made notable progress over the past five years toward creating a more competitive and productive economy. Significant reform has occurred in Egypt's fiscal order, with marked progress in tax and customs regulations and operations, and in the business regulatory framework. These efforts have earned Egypt the title of Top Reformer in three of the last four years, including the Top Worldwide Reformer in 2008, according to the World Bank's 'Doing Business' measures. In the 2010 ranking, Egypt made marked progress in 8 of the 10 measures that underpin the assessment and moved up nearly 60 places on the ranking of countries.

In its march toward reform, Egypt has been assisted by the confluence of a number of key factors that have supported its recent success: the appointment of outstanding leaders in the key economic ministries that have become a remarkable reform team (Ministries of Finance, Trade and Industry, Investment, the Central Bank of Egypt and the EFSA); strengthening and developing key institutions that have helped support the reform agenda and ground it in the real economy (ENCC, Institute of Directors, Smart Business Centers and One Stop Shops, Tamayouz, ERRADA, etc.); willing donors, led by USAID, with significant financial resources dedicated to support the reform agenda; and effective technocrats and consultants who have worked closely with the reform team to bring international standards to the effort and support the implementation of sustainable reforms.

Egypt's wide ranging reforms over the last five years have ensured its economy has been remarkably resilient to the worldwide financial crisis. Although GDP growth rate fell in 2009 to 4.7%, after achieving in excess of 7% over the previous 3 years, and net foreign direct investment nearly halved against the preceding two years, this economic performance was still better than anticipated. As the recovery gains strength the need for further government stimulus interventions is receding and the focus is returning to fiscal consolidation and other growth orientated reforms.

Deloitte has been privileged to work with USAID, and the Egyptian Public and Private sectors, over the past five years to support these important reform efforts, and believe we have made a significant contribution to Egypt's reform success. Some of the successes of the TAPR II project are presented below:

- **Component A:** Implementation of the NCIS and simplification of the import/export procedures; Valuation training.
- **Component B:** Developed the retail payments systems; Reformed and accredited the EBI; Establishment of, and built the strategy for, the EFSA; Developed the strategy, business plans and laws for the new pension system; Supported the reorganization and institutional development of EISA.
- **Component C:** Supported the tax policy agenda and modernization of the tax administration, including a new ITMAS; Implementation of the TSA; Draft Public Financial Accountability Law; Strategy for comprehensive PFM reform; Implementation of the PPP Central Unit.
- **Component D:** Commercial Law Reform; Establishment and implementation of the Consumer Protection Agency; Capacity building in the Egyptian Competition Authority.
- **Component E:** Establishment and implementation of the ERRADA initiative; Provided strategic support to IDA and SEZones; Establishment of SSBC and Tamayouz; Strategic support to regional regulatory reform; Modernization of the

Commercial Registry and implementation of supporting IT system; Institutional development and support to the ENCC.

- **Component F:** Established LLM courses at key Universities and supported executive business education programs.

These project accomplishments are a brief summary of the more complete discussion of results and accomplishments that is presented in each of the component sections that follow.

How this Report is Organized

Following a brief introduction and discussion of program results, linkages between components and approach to management and staffing, like the project itself, this final report is organized by Component. Each Component is introduced by an overview of accomplishments and then leads directly into the various activities or streams of work that were undertaken in each component. Following each activity, we have presented the accomplishments achieved through the work streams and also note short-comings or activity failures, where they occurred. Finally, each activity is rounded out by suggested areas for continued support that USAID and the GOE might consider supporting in order to generate further results. Following the presentation of all of the components, we present successful methodologies, lessons learned and a number of appendices that present further detailed information addressing project success stories, performance monitoring and evaluation, and summaries of project financial information, training and procurement.

Introduction

The United States Agency for International Development's (USAID) overall goal in Egypt is to promote a globally competitive Egyptian economy benefiting Egyptians equitably. Among the many USAID strategic objectives, supporting that goal is Strategic Objective-16 (SO 16), entitled "Environment for Trade and Investment Strengthened." This project, Technical Assistance for Policy Reform II (TAPR II), supported SO 16.

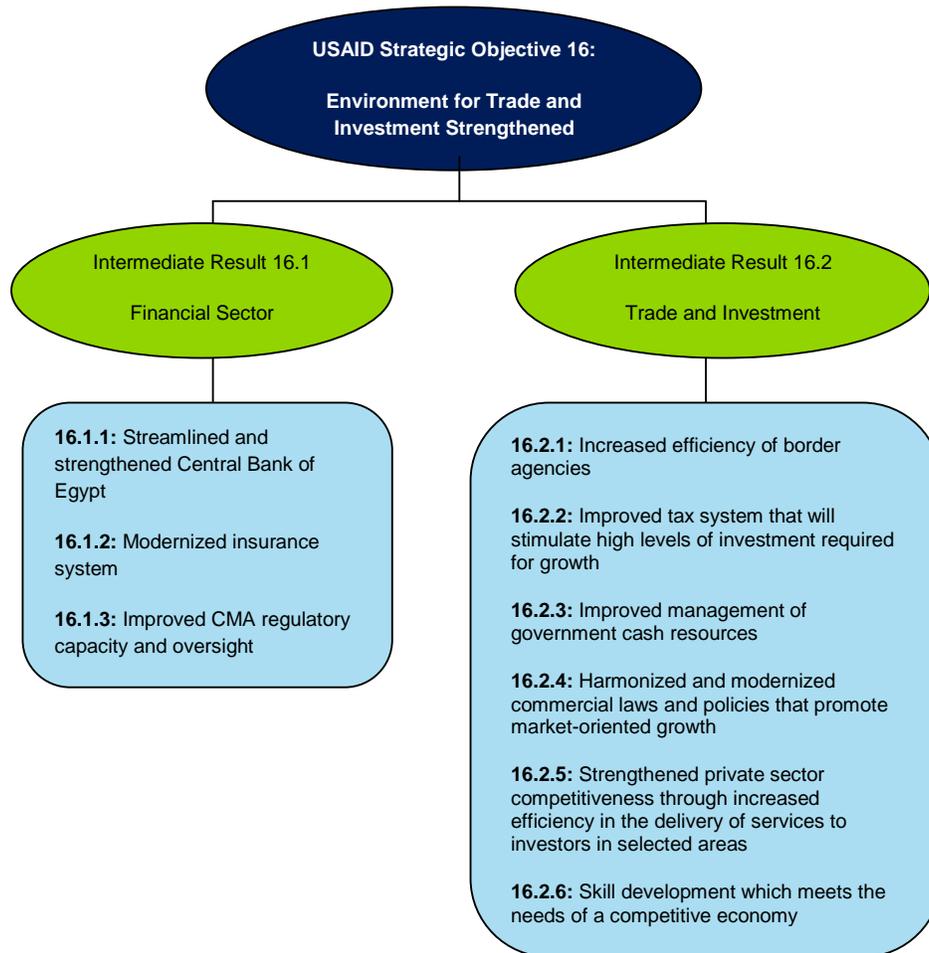
The project's purpose was to provide a comprehensive and integrated source of technical assistance to Egyptian reformers to help them define and implement their visions for economic policy and institutional reforms. TAPR II promoted investment, improved Egypt's financial structure and services, supported macroeconomic stabilization, increase trade and investment and strengthened the private sector. It provided technical assistance and support to reduce government's role, deregulate burdensome regimes, streamline processes, and harmonize policies, laws, and regulations that govern economic institutions. The project built the capacity of individuals and institutions that are necessary to support the implementation of these reforms to assure that policies, processes and procedures, that were implemented and adopted, will be appropriately sustained and institutionalized. TAPR II established partnerships with Egyptian reformers within government and the private sector to support critical, demand-driven reforms and continued to respond to changing circumstances in Egypt through the final days of TAPR II in late October 2010.

TAPR II's Components and Goals: The four-year project consisted of seven components. They were:

- **Component A – Trade Environment:** The overall goal of this component was to achieve measurable improvements in Egypt's trade environment and to ensure that these improvements benefited both businesses and individuals. The approach was designed around sustainability, with results delivered through mentoring, on-the-job training, and institutional reform, coordination, and integration. A key factor was the ability to bring together the diverse agencies involved in improving the trade environment.

- Component B – Financial Sector Modernization: The overall goal of this component was to support financial sector reform priorities documented by a Memorandum of Understanding (MOU) between the United States and the GOE. These activities were critical to laying the foundation for a more efficient financial sector that would support private sector growth.
- Component C – Macroeconomic Stability: The overall goal of this work component was to support the GOE's National Reform Agenda to implement the remaining market-oriented macroeconomic policies necessary to create sustainable economic growth. The main challenges were to develop the administrative and institutional infrastructure to ensure the sustainability of the reform programs, to simplify and clarify tax compliance and to minimize any short-term social costs resulting from the new policies.
- Component D – Enabling Policy Environment for Business: The overall goal of this work stream was to develop a body of commercial legislation, policy, and governance practices that created a genuine enabling environment for business, including the relatively large number of businesses currently operating in the informal sector.
- Component E – Facilitating Services for the Private Sector: The overall goal of this component was to facilitate services to private enterprise, streamline administrative processes, and open opportunities previously reserved for state-owned entities.
- Component F – Human Resources: The overall goal of this area was to develop programs to further widespread human capital development. Long-term development programs were focused on building the institutional capacity of leading law, economic and business educational institutions to produce graduates equipped to meet the needs of a competitive economic system, integrated into the global economy. Shorter-term development programs exposed market practitioners, lawyers, judges, and Egyptian government counterparts to new concepts, ideas, and methodologies required to enhance the impact of economic reforms.
- Component G – Program Support: The overall goals of this component were to enhance the efficiency and effectiveness of USAID SO16 monitoring, to evaluate Egyptian achievement of goals required to obtain funds under the U.S. Government Direct Support Program to Egypt, to improve the availability and dissemination of information on economic reform to the public, and to provide opportunities to solicit greater involvement of civil society in the reform process

Figure 1. USAID SO 16 Program Results Statements



There were very direct Program Linkages to USAID’s Objectives: TAPR II technical assistance and deliverables supported USAID’s Strategic Objective 16 (SO16) “Environment for Trade and Investment Strengthened”. It identifies the project activities, by component, that are linked to two of the three SO16 Immediate Results, The two Immediate Results (IR) that the Program Components are linked to are (16.1) Financial Sector Modernized, and (16.2) Trade and Investment Facilitated.

Each of the program’s components contributed to the achievement of SO 16. Component G helped to support the work across all areas, while components A, C, D, E, and F were linked directly to achieving IR 16.2. Component B directly supported achievement of IR 16.1.

The Program developed sub-Intermediate results that provide a clear linkage between the yearly Work Plan activities and the two Intermediate Results. The Results Statements, which are outlined in Figure 1, were then used to develop the Performance Monitoring and Evaluation Plan (PMEP).

Linkages by Component

The goals of Component A, Trade Environment, clearly facilitated the achievement of IR 16.2. Customs reform and trade facilitation comprised the greater part of this component’s activities. TAPR II developed a sub-IR that captured the impact of the work “Increased

Efficiency of Customs Revenues Collection”. This result takes into account the steps necessary to reform the customs administration and captures an ultimate impact, which in turn directly supports trade reform and trade facilitation.

The financial sector reforms of Component B were the only activities that linked directly to IR 16.1. The two sub-IRs: “Streamlined and strengthened Central Bank that will benefit Egypt’s economic future” and “Modernized and sustainable Insurance System”, demonstrate how planned activities impact the goal of a modernized financial sector by highlighting the importance of capacity building of both public and private financial institutions. As the Central Bank of Egypt is the backbone of the country’s financial system, it was targeted as the primary recipient of technical assistance.

Component C contributed to all of SO 16’s goals, with an emphasis on 16.2., “A fair and simplified tax structure.” The intent was to attract more investment, so the first sub-IR in this group was “Improved tax system that will stimulate high levels of investment required for growth”. Component C also facilitated the overall economic reform agenda through its second expected result, “Increased capacity of the functional work sectors within the Ministry of Finance”.

Component D, contributed directly to IR 16.2 with the specific objective of “harmonizing and modernizing commercial laws and policies that promote market-oriented growth”. This component worked to improve the legal environment for business through commercial law reform, introducing alternative dispute resolution, improving the intellectual property system, and promoting competition and consumer protection.

Component E linked directly to IR 16.2, with the specific goal of “Strengthened private sector competitiveness through increased efficiency in the delivery of services to domestic businesses and foreign investors”. Policies and institutions that improve the business environment stimulate private investment through the reduction of regulatory constraints. This in turn enhances productivity and growth.

Component F, Human Resources, assisted in developing a work force that is capable of meeting the demands of a market-oriented economy. The Program Sub-IR, “Increased capacity of institutions and individuals across legal, business, and economic disciplines”, illustrates how strengthening educational institutions leads to the development of human capital, which will leave Egypt better equipped to implement and reap the benefits of economic reform.

Finally, Component G, Program Support, maintained two sub-IRs: “Improved, accessible information to make knowledgeable trade and investment policy decisions”, and “Tailored policies and programs to meet economic reform priorities”. A comprehensive and critical evaluation program that measured the impact of policy reform on both a national and program level enabled decision makers to determine policies that met the needs of the country’s growth objectives. Timely and accurate information is critical for such decisions, which is why the Program provided both the public and the GOE with comprehensive print and online sources of economic policy information and publications.

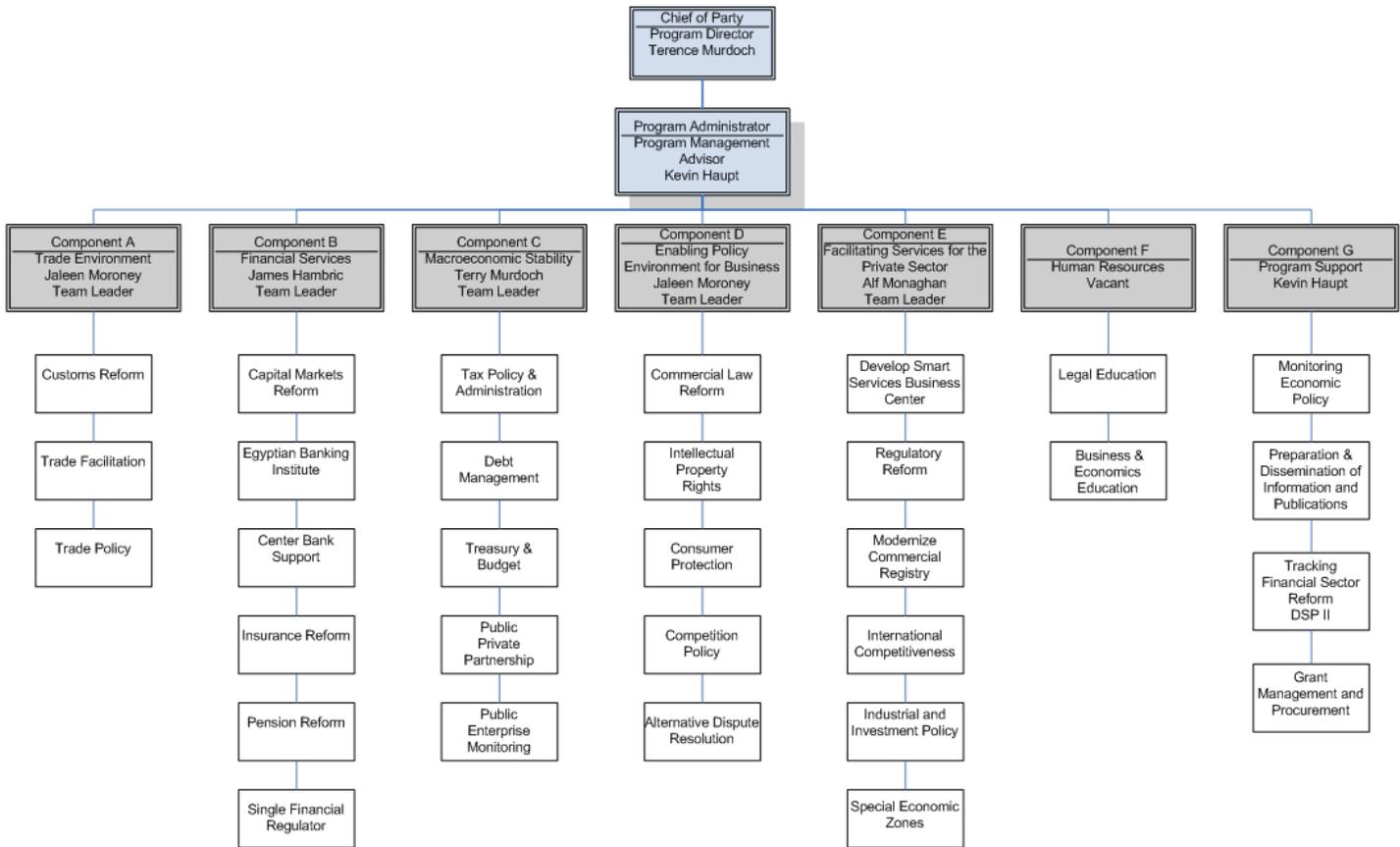
Critical Assumptions: The Project’s expected results were based on several critical assumptions. First, success in delivering policy reforms required that the Government of Egypt, as a matter of policy, would sustain its pro-reform position, on a timely manner. Second, the successful implementation of reforms was dependent on continued “political will” to implement reformed policies, including responsiveness and cooperation of the key counterpart ministries, agencies, and the Prime Minister’s office. Third, it was essential that timely access to key counterpart public and private reformers could be maintained. Finally, achieving the expected results was dependant on the availability of sufficient resources.

Management Approach and Staffing

Deloitte's management approach to governing the project activities and results effectively centralized accountability and control, while maintaining flexibility to accommodate the individual requirements of each component. Centralized control ensured that project activities continued to reflect strategic objectives in a coordinated fashion across components while remaining flexible to respond to the requests of government and other counterparts, particularly as events, priorities and objectives shifted over time and with project implementation. During project implementation, activities were revised, resources were realigned, and component tasks and deliverables added or dropped in agreement with USAID.

Deloitte's organizational structure provided strong technical and managerial leadership at the top, while allowing the flexibility to manage the demand-driven aspects of program implementation. The organizational team structure for managing and delivering the TAPR II activities during the life of the project incurred minimal changes, validating Deloitte's original project management approach. Presented below is the structure and management team in place for the final year of TAPR II.

Figure 2. TAPR II Technical Team Organizational Structure



The Chief of Party (COP) served as USAID’s and the Egyptian Government’s senior counterpart for TAPR II implementation. He provided overall direction and guidance to ensure that implementation activities were coordinated across components. The Program Administrator was responsible for in-country program management, office management, logistics, and operations. He also directly managed the local accounting and administrative personnel contract.

Throughout the life of the project, the team consisted of seven Component Leads, who reported to the COP. The Leads provided senior-level advice for policy implementation to corresponding ministers and their key staff within the Egyptian government. Component Leads acted as sounding boards for their counterparts, helping to prioritize their reform agenda and provide technical advice on the potential economic impact of various reform choices. If additional relevant activities were identified during the scope of the planned activities, the Component Leads were responsible for presenting them to the COP and USAID and for following up on necessary approvals for generating scopes of work and mobilizing additional resources. The Component Leads provided technical management, including oversight in developing activities, quality control and monitoring, and reporting on the impact of the TAPR II activities. The Component Leads were responsible for providing management oversight and direction for all component activities and maintained overall responsibility for the results produced from the technical assistance teams.

Supporting the delivery of technical assistance, Resident and Short-Term Advisors carried out technical activities under the direction of Component Leads and supported specialized needs and requirements as they arose.

While technical staff worked primarily in counterpart ministries or agencies, Deloitte established a central project office in Cairo to handle administration and to serve as a base for staff deployed at counterpart sites. This project office managed crosscutting field operations, such as procurement, training activities, grants administration, USAID Program Office support, translation activities, and technology interfaces. The project maintained several satellite offices established during the life of TAPR II, including offices at the Egyptian Insurance Supervisory Authority (EISA), Smart Services Business Center (SSBC), and Customs in Alexandria and the Ministry of Social Solidarity, the Tax Authority, and the Commercial Registry.

The Deloitte senior technical team was highly committed to TAPR II and remained stable for the duration of the project. The initial COP was in place for nearly four years as were several of the component leads. This continuity was a key factor in the overall success of the project.

Funding and TAPR II Project Extensions

TAPR II's original contract value was \$124,724,535 for four years with no option year.

In late June of 2009, USAID issued a modification to the TAPR II contract. The purpose of the modification was to:

- Incrementally fund the contract by adding \$19,500,000 to the contract, increasing the total obligated amount to \$126,135,618 and LE, 2,917,796, representing \$120,581,760 for costs and \$5,553,858 for fee;
- Revise total estimated CPFF contract value from \$124,724,535 to \$134,100,000; and
- Extend the performance completion date to June 30, 2010.

In early March of 2010, USAID issued another modification to the TAPR II contract, which obligated additional funds of \$4,145,857 and extended the performance completion date to June 30, 2010.

COMPONENT A — TRADE ENVIRONMENT

Introduction/Where We Started

Trade and foreign direct investment are the heart of Egypt's National Reform agenda and will continue to be the engine for private sector growth. Bringing Egyptian import and export policies and procedures in line with international standards, increasing the efficiency and institutional capabilities of border agencies, protecting and enforcing intellectual property rights, and promoting competition policies all help to create an environment conducive to expanding trade and attracting foreign direct investment.

The overall goal of this component was to achieve measurable improvements in Egypt's trade environment and to ensure that these improvements benefited both businesses and individuals. The approach was designed around sustainability, with results delivered through mentoring; on-the-job training; and institutional reform, coordination, and integration. A key factor was the ability to bring together the diverse agencies involved in improving the trade environment.

A modern customs service capable of compliance with international World Trade Organization (WTO) and World Customs Organization (WCO) requirements and standards is essential for sustained revenue collection at the levels of international trade management and social protection that a modern and economically competitive state requires. The immediate customs tasks focused on ensuring that the organization was realigned along functional lines that helped streamline the delivery of client services while maintaining adequate levels of social and revenue protection. Stabilizing the delivery of consistent automated service, implanting clear internationally consistent procedures and introducing new HR and training programs were all key priorities.

All of the activities in this component supported the achievement of USAID's IR 16.2, "Trade and Investment Facilitated." The customs deliverables, which form the bulk of this component, also directly contribute towards the program-defined subintermediate result 16.2.1, "Increased Efficiency of Customs Revenue Collection."

Component A Key Accomplishments

- New Customs Law conforming to International Standards and Best Practices and new Executive Regulations and Operating Procedures
- Streamlined Customs procedures
- Improved enforcement techniques
- Reorganization of ECA
- Implementation of NCIS
- Harmonization of textile and apparel product regulations and conformity assessment system with U.S. and European best practices
- Established SPS and TBT Enquiry Points
- Three-day course on Rules of Origin Negotiation

A. 1. CUSTOMS REFORM

USAID/Egypt signed an implementation letter agreement with the GOE for the activities of the Customs Reform Unit (CRU) in 2003. The mission provided direct partial funding for the CRU for over three years ending June 30, 2007. The CRU of the Egyptian Customs Authority (ECA), with international technical assistance under a previous project, prepared an implementation plan for customs modernization in Egypt. The implementation plan was approved on April 4, 2004, by the then Minister of Finance. Soon after, however, a new Minister of Finance, H.E. Dr. Youssef Boutros Ghali was appointed. The new Minister placed the implementation plan on hold, preferring to chart out a new, more aggressive set of

reforms for the ECA. The original implementation plan is still used as a reference document and guide for the CRU; it is considered the foundation document that established tasks and priorities for a comprehensive improvement in the capabilities and results of the ECA.

Generally, TAPR II used the CRU as its principal point of contact and coordinator with the ECA on all aspects of customs reform initiatives, with the exception of the National Customs Information System (NCIS), which was coordinated through the Minister's Customs Information Technology (IT) Advisor until the end of 2008 and subsequently through the Customs IT Sector Head. The only other TAPR II customs reform initiative not coordinated through the CRU was a series of customs training courses delivered from April 2009 to June 2010, which Mahmoud Aboul Ella requested in his capacity as HR and Training Sector Head after he had left the CRU.

During TAPR II Program Year Two, the USAID Egypt Mission-funded custom activities were subject to a technical evaluation by the Regional Inspector General of USAID. As a result of that evaluation, USAID requested a comprehensive customs work plan through the remainder of the original TAPR II project time frame (September 2009). The Year Four work plan incorporated as much as possible the activities contained in the comprehensive customs work plan developed in response to the technical review. Some of these activities were scaled back or canceled due to budgetary limitations. During Year Four, through September 2010, TAPR II continued to support ECA in the following areas:

- Legal Framework
- Simplified Procedures
- Training Capacity
- Compliance
- Stakeholder Relations
- Automation

Expected results included an ECA, which:

- Operates and performs to international standards;
- Develops strategies to ensure that all border inspection agencies and the port community cooperate to reduce all clearance times and improve client service;
- Manages using performance measurement information;
- Functions with a stable and optimal workforce;
- Automates its simplified procedures;
- Embraces the ideals of client service;
- Possesses strong, positive, and influential relations with its stakeholders; and
- Confidently commits to a continuous improvement environment.

Accomplishments

The TAPR II customs reform activities consisted of discrete but connected work actions that aimed to streamline and reform customs procedures to support the development of Egypt's international trade. The elements of the work plan included:

- A new customs law conforming to international standards and best practices and new executive regulations and operating procedures in support of the proposed new law
- Streamlined Customs procedures to support the development of foreign trade

- Reorganization of ECA into a simplified functionally organized management structure and building the capacity of ECA for sustainability
- Improved enforcement techniques
- Public outreach programs
- Implementation of a new NCIS

Customs Law and Executive Regulations

In April 2006, following the submission of a report prepared by TAPR II customs advisors that analyzed and identified the deficiencies of the current customs law and executive regulations, the Minister of Finance accepted the recommendation of the TAPR II advisors to begin preparation of a completely new customs law (rather than a further revision of the current law) and, based upon the provisions of the new law, a complete revision of the customs executive regulations and operating procedures of ECA.

The TAPR II customs advisors assisted the ECA Legal Committee to prepare an initial draft of a new customs law compatible with international standards and in compliance with the WCO's "Convention on the Harmonization and Simplification of Customs Procedures" (the "Revised Kyoto Convention"), to which Egypt became a signatory in February 2008. TAPR II advisors attended all meetings of the legal committee (headed by the ECA Central Director for Legal Affairs) established by the Minister of Finance to draft the new customs law, reviewed the working drafts of the new customs law, and presented comments and recommendations to the legal committee.

Following extensive consultations with representatives of private sector stakeholder groups, a final revised draft of a new customs law was completed and presented to the Minister of Finance in the late summer of 2008 for his review and presentation to the National Assembly for passage. After passage by the National Assembly, TAPR II assisted ECA in drafting new executive regulations. In parallel, TAPR II assisted with the development of new standard operating procedures to support the new law and executive regulations.

Streamlined Customs Procedures

TAPR II supported the development and implementation by ECA of a number of procedural initiatives that simplified and streamlined the importation and exportation of goods to and from Egypt. Significant accomplishments for this workstream included:

- The development and implementation of automated streamlined clearance processes through a series of modern customs centers and logistics centers at all of the major customs clearance sites in Egypt. These centers provide one-stop customs services and electronic presentation of documents and electronic payment to banks. They dramatically reduced clearance times and are largely responsible for month-to-month increases in declaration processing and revenue collection. The centers were largely responsible for the World Bank rating Egypt's improvement in Doing Business across Borders from 86th among countries rated in 2006 to 24th in 2008.
- The development and implementation of an interim process, pending the implementation of the NCIS referred to below, for the presentation of electronic manifests to ECA and other government agencies. This enormously simplified the presentation and processing of shipping data, leading to improved accuracy and more effective enforcement targeting.

Performance Indicators

Weighted average tariff rate on imported goods

- 2005: 14.6
- 2010: 6.9

Number of days necessary to comply with all procedures required to import goods

- 2005: 14 days
- 2009: 8.6 days

- The implementation of customs red and green channels and a national risk management system. Goods subject to green channel can be cleared by customs in a matter of hours.
- The accession in early 2008 by the GOE to the WCO's "Revised Kyoto Convention on the Harmonization and Simplification of Customs Procedures." This convention is the internationally recognized standard for the implementation of customs administration reform.
- The provision of advice and support to a committee of ECA managers and specialists in the development of an ECA Post-Clearance Audit Manual. In July 2009, TAPR II sponsored and participated in the delivery of a post-clearance audit workshop for 35 ECA managers and staff to present the completed manual and discuss key issues in the development by ECA of an enhanced post-clearance audit capacity.

ECA Reorganization and Capacity Building

With the support of the MOF and TAPR II advisors, ECA was reorganized into a simplified functionally organized management structure that allows for both greater delegations of authority and increased managerial accountability. TAPR II supported both the technical and ethical development of the ECA workforce. Over 1,600 customs officers received training delivered by TAPR II in Delegation of Authority, Business Ethics, IT, English Language, Customs Procedures, Intelligence and Enforcement, Customs Valuation, Tariff Classification, Rules of Origin Administration, and programs of study to obtain MBA, MPA, and MLA degrees. Additional practical training was given on basic computer skills. Five overseas customs study tours were funded and organized.

TAPR II also supported the development of a curriculum of courses for the National Customs Training Institute (NCTI) in Alexandria. From April 2009 to June 2010, in response to a request to USAID from the Head of ECA Central Directorate for HR (Mr. Mahmoud Aboul Ella), TAPR II delivered courses, in cooperation with the NCTI, on Customs Valuation and Tariff Classification, previously developed and delivered by TAPR II in 2006 and 2007, as well as a new course developed by TAPR II on the Administration of Rules of Origin to 330 ECA officers and managers in Cairo, Alexandria, Port Said, Ain Sokhna, and Luxor. TAPR II also delivered three Train-the-Trainer workshops to prepare ECA trainers to deliver these courses in the future.



Improved Enforcement Techniques

TAPR II supported the development of better enforcement techniques in the ECA. Support was provided for the development of better automated risk management techniques as well as improving on-site inspection techniques. National practical training programs and overseas study tours were undertaken by TAPR II in support of this initiative.

Public Outreach

TAPR II promoted key public outreach programs to improve client-stakeholder transparency and gain public support for the overall customs reform program. These initiatives have included public consultations on the new customs law, executive regulations, and operating procedures. The implementation of interim automated solutions, such as presentation of electronic manifests; pre-arrival presentation of documentation; cooperation between port authorities and customs; simplified export procedures; automation; and electronic payment of duties and taxes directly to banks. A permanent public consultation committee, the Advisory Committee for Trade Facilitation in Alexandria, was established with TAPR II support. ECA has supported the formation of a national public sector consultation process.

National Customs Information System

In early 2006, TAPR II conducted an analysis of the current customs computer system to determine if it could meet the requirements of ECA in the implementation of a modern customs service capable of compliance with international WTO and WCO requirements and standards. Such a modern customs service is essential for sustained revenue collection at the levels of international trade management and social protection that a modern and economically competitive state requires.

The TAPR II analysis identified serious shortcomings in the current computer system. Notably, each customs office was operating on a separate server not connected to any other offices. As a result of this, data could not be transferred electronically between offices to support the processing of imported goods moving from one port or customs control office to another. This distributed design also made it very difficult to ensure that the same version of the software was being used in all locations and that reference databases were compatible between customs offices. It was determined that reference databases in the current computer system were not compatible between customs offices. Data required for management reports and the accumulation of trade statistics could not be assembled electronically on a national basis. In fact, data was consolidated manually in a central location for the preparation of national reports, which was time consuming and subject to manual error. Also, the architecture of the current system did not allow processing capacity to be easily expanded. For these reasons, TAPR II recommended to MOF that the current customs computer system be replaced with a new system that provides the support needed by a modernized Egyptian Customs service. The Minister accepted this recommendation and signed a MOU with USAID for the procurement and implementation of a new customs computer system.

A Request for Proposal (RFP) was issued by TAPR II in August 2006 to solicit proposals from contractors to replace the current customs computer system. The objective was to implement in Egypt a state-of-the-art customs computer system that would fully support the implementation of international standards and best practices, such as the WCO's Kyoto Convention on the Simplification and Harmonization of Customs Procedures (to which Egypt acceded in February 2008), that provides a national network through which all customs offices could interact with each other using a single, national database, and that provides a mechanism by which importers, agents, and other stakeholders could interface directly with the ECA software platform through the Internet.

Upon completion of a proposal evaluation process (conducted by a committee of TAPR II advisors and representatives of ECA and MOF), receipt of IRM approval and USAID Contracting Officer approval for TAPR II to enter into a subcontract, a contract was awarded to Raya USA LLC ("Raya") in August 2007. Raya's proposal was to begin implementation of the NCIS as a replacement for the current customs computer system, based upon the MicroClear customs software platform developed by Raya's subcontractor, Inspection Control Services.

Key Milestones in the Development of NCIS

Extensive discussions took place between TAPR II advisors, the NCIS subcontractor, and a committee of representatives of the ECA designated by the Commissioner of Customs to develop a comprehensive set of functional systems requirements specifications documents (SRSDs). The objective of this exercise was to ensure that the functional performance specifications of the system not only supported international standards and best practices in the administration of customs processes but also took into account the unique and individual requirements of Egyptian Customs laws, regulations, and operational procedures. The SRSDs were completed and approved by the ECA committee, the Commissioner of Customs and the Minister's Advisor for Customs in April 2008.

- On the basis of the approved SRSDs, the subcontractor customized and expanded the functionalities of the customs operational software previously developed by Inspection Control Services (ICS) (MicroClear) to meet the particular requirements of the ECA.
- The customization process required extensive and ongoing interaction between TAPR II advisors, the NCIS subcontractor, ECA representatives, representatives of other Egyptian ministries and agencies involved in the administration of border controls, and a wide range of stakeholders in the private sector.
- Once the customization process was completed in August 2009, ECA was given the opportunity to test the software during a user acceptance testing phase. Adjustments were made to the software on the basis of the ECA comments, following which the ECA representatives were given a second opportunity to retest the software to confirm that the required adjustments had been successfully made.
- User acceptance testing was done in December 2009 through January 2010. Testers requested major changes, which in most cases were not specified in the original requirements as set out in the approved SRSDs. A second testing occurred in June 2010 where again testers brought up additional changes not consistent with the original requirements.
- In parallel with the development and customization of the software, the NCIS project procured and installed servers and storage units in a main processing center in Cairo and a backup recovery center in Alexandria.

On September 1, 2010, TAPR II installed the state-of-the-art customs computer system. It is in full compliance with the SRSDs approved by the ECA as well as the additional functionalities ("category 1 and 2") agreed upon with ECA following the user acceptance testing and retesting programs conducted in 2010.

Since October 11, 2010, following the final loading by the NCIS subcontractor of corrected data, ECA personnel have tested the NCIS using actual declarations and comparing the results to the current computer system. Once errors and inconsistencies in the tariff data initially provided by ECA had been corrected and loaded into the NCIS and the tariff footnotes were corrected, the NCIS results matched the current system.

At the conclusion of the TAPR II NCIS subcontract on October 21, 2010, the pilot testing program demonstrated that the software is fully functional and produces results that are consistent with the current computer system, but ECA representatives want to extend the pilot testing period in order to have the opportunity to confirm the functioning of all permutations and regimes of declaration processing as well as fully test the other modules. ICS stated to the ECA Commissioner and his representatives that ICS is prepared to continue to provide ICS resources at their own cost to support the completion of the ECA testing program. Once the ECA pilot testing program has been completed, the system will be

ready for formal delivery to the ECA and, upon conclusion of any formal acceptance testing the ECA chooses to make, formal acceptance by MOF for national rollout and implementation.

NCIS Implementation Issues and Challenges

Throughout this implementation, TAPR II faced several obstacles and challenges that were worked through. These challenges led to an extended duration of the NCIS project, resulting in the inability to complete the full user testing program before the closeout of TAPR II. Below are some of these challenges.

- The most important challenge faced was the lack of consistent executive project sponsorship. During the first year of the project, the Minister's Advisor on Customs IT chose to manage the project directly, and the NCIS subcontractor was not permitted direct access to ECA personnel. The NCIS subcontractor was able to establish direct communication with ECA personnel only after the Minister's Advisor on Customs IT was replaced in January 2009.
- During the first few months of the new advisor's tenure, he was very helpful and involved customs more fully in the decision-making process. However, during the succeeding months, his attention to the project decreased. A newly appointed ECA IT Sector Head was designated as the main coordinator, but the final authority still rested with the Minister's Advisor, which led to delays in decision making.
- Despite the fact that NCIS development was well under way, continuing efforts were devoted by ECA to further development of the current customs computer system. This diverted attention from NCIS not only at the senior level but took resources away from NCIS at the technical level.
- Due to a structural reorganization of the ECA that occurred during this period, the ECA personnel providing input were constantly changing. This led to constant reeducation of new personnel as to what had transpired before and in some cases renegotiation of what was agreed previously.
- TAPR II consistently faced issues with delays in the provision by the ECA of complete and accurate data required to populate and develop the NCIS system. The cumulative effect of these delays was considerable.
- The tariff module was much more complex than what was originally envisioned. During the early stages of the project, it was difficult to get information from the ECA regarding the tariff module. When information was received, it was apparent that ECA was expecting more from the tariff module than what is normally used in most customs agencies. After the subcontractor agreed to revise the requirements document, pinning down all the requirements was very difficult. Given that the tariff module is the core module of the system, this had a big impact on the schedule.
- There were difficulties and delays in reaching an agreement with ECA representatives on the data migration mapping between the legacy system and NCIS. Even after a signed agreement on the data mapping schema was reached, ECA representatives introduced additional data elements to be incorporated into the migration mapping.
- Hardware installation was hampered by the lack of suitable ECA infrastructure in which to house the NCIS hardware. This was particularly true in the case of the disaster recovery site. The site initially selected by the former Minister's Advisor on Customs IT was determined to be unsuitable, and the current Minister's Advisor had to select and arrange for the renovation of a new site. The renovations took many months to complete.

- During two successive user acceptance testing programs, ECA testers insisted on making changes to the system that were not part of the original requirements as set out in the approved SRSDs. Some of these changes were extensive and required significant time to develop. Other requested changes were contrary to international agreements and TAPR II refused to implement them.
- Given that most of the subcontractor's IT development personnel do not speak Arabic, several miscommunications or misunderstandings with ECA staff caused problems during the project.

International Trade Initiatives and Other Activities

During the course of TAPR II customs reform activities, technical assistance was also provided in the following trade-related initiatives:

- Development and delivery of a three-day course on Rules of Origin Negotiation to officials of the Trade Agreements Sector of the Ministry of Trade and Industry (MTI),
- Preparation and delivery to MTI senior officials of options and recommendations for the development of nonpreferential rules of origin,
- Analysis of the import and export regulations and preparation of a report setting out issues of concern and recommendations for their resolution,
- Preparation of input to an analysis of the duty rate reductions implemented in the 2007 Egyptian Customs Tariff, and
- Provision of advice and guidance to the Egyptian Standards Agency in the development of technical regulations and standards aligned to the European Union (EU) New Approach.

Potential Areas for Further Progress

Customs Law and Executive Regulations

The final draft of the new customs law was anticipated to be presented to the National Assembly by the Minister of Finance in late 2008, but this did not occur. As of July 2010, the Minister of Finance has not yet presented the new customs law to the National Assembly. As a result of this delay, the Minister of Finance did not meet the benchmark requirement to qualify for a cash transfer of \$30 million. In addition, the delay in the presentation and passage of the new customs law also delayed the finalization of the new executive regulations and operating procedures, pending the results of Parliamentary review of the new law that may introduce additional amendments to the law before passage.

Once the new customs law is enacted, a review of the enacted law will be required to confirm if any amendments that were not introduced during the legislative process are compatible with international standards and best practices in customs administration, and to propose any further amendments that may be required to correct deficiencies in the new law. It is likely that the ECA will require further assistance and support to finalize and implement new regulations and procedures based upon the new law in order to implement reformed customs processes in full compliance with the WCO "Revised Kyoto Convention."

Streamlined Customs Procedures

There are still a number of streamlined customs procedures that are not yet fully implemented. These include such important initiatives as enhanced post-clearance audit programs, release on minimum documentation, and advance clearance procedures and advance rulings. These will have to be followed up on and assessed, especially after the passage of the new customs law and the introduction of the NCIS.

ECA Reorganization and Capacity Building

ECA continues to implement the structural reorganization at the port levels. The continuing progress of the ECA in the implementation of the new structural organization and the reduction of unethical practices should be monitored on an ongoing basis.

Improved Enforcement Techniques

Additional enforcement training will be needed by the ECA after the implementation of the NCIS in order to be able to take full advantage of the enforcement functionalities of the new system.

Public Outreach

The process of open and transparent public consultations is still not strongly embedded in the culture of ECA. The attempts to establish a national program of public consultation forums should be followed up and monitored on an ongoing basis.

National Customs Information System

Once the NCIS is implemented, ECA will need advice, guidance, and support to assist them to become fully capable of using the enhanced functionalities of the new system to their fullest capacity. For example, the new system has powerful tools to support intelligence gathering, risk analysis, and targeting, which, if properly used, will enable to ECA to implement more effective and streamlined release programs without a loss of necessary controls over cross-border movements of goods (such as the administration of IPR border measures) or an erosion of customs revenue legitimately payable to the government.

A. 2. TRADE POLICY

Component A's work on trade policy and trade facilitation began in the second year of the project when USAID's Assistance for Trade Reform (ATR) project ended and its ongoing activities were merged into TAPR II. During the months leading up to the closure of the ATR Project, some ATR-procured equipment and personnel were transferred to TAPR II.

TAPR II assistance on trade policy included supporting the MTI's Foreign Trade Sector (FTS) and Trade Agreement Sector (TAS) to build the capacity of its personnel, assisting the Ministry to study the probable impact of certain policies or trade agreements on the economy (or a sector of the economy) of Egypt, developing Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) contact points.

Accomplishments

Capacity Building

One of the cornerstones of the USAID ATR Project's capacity-building activities in the MTI was the master's scholarship program. The improved performance of units which had high numbers of the persons who participated in MA and MBA programs was such that USAID and TAPR II decided to continue the program at the end of ATR. TAPR II provided nearly 40 graduate and doctoral scholarships in economics and various business fields to MTI staff from the FTS and the TAS. This significantly strengthened MTI's management and analytical capacity and was key to the sustainability of USAID's programs in this ministry.

Because the skills needed by TAS and the WTO Unit, are not specifically taught in MA, MBA, and PhD program. TAPR II advisors also engaged in a considerable amount of on-the-job training and mentoring of staff during the course of analyses and studies. In addition, TAPR II advisors worked closely with the USAID Commerce Law Development Program and MTI to adopt a U.S. government (USG) eLearning program on trade analysis to fit Egyptian issues and procedures. A number of training modules were prepared jointly with MTI staff

and are now in use in the Ministry to train new personnel and the update the knowledge and skills of existing personnel.

Policy Assessments

TAPR II assisted TAS and FTS in conducting a major study analyzing the likely economic impact of the free trade agreement between Egypt and Turkey. TAPR II used this study to mentor TAS and FTS economists on how to undertake such analysis. TAPR II also helped MTI's services team and the Minister's Office analyze EU and Common Market for Eastern and Southern Africa services protocols, raising important issues about qualifications of "migrant" Egyptian labor. The results of this study were discussed further in a major The American Chamber of Commerce (AmCham)-sponsored workshop.

TAPR II conducted an analysis of the export-import regulations and prepared a report setting out issues of concern and recommendations for their resolution. These were discussed with Ministry officials and draft language was prepared for amending or replacing the regulations. Even though no reform ensued, discussions with TAPR II advisor made MTI TAS/FTS leadership more amenable to significant initiatives, including consolidating inspection agencies, "single window", risk management, and IPR border measures reform.

TAPR II advisors also assisted with an analysis of the duty rate reductions implemented in the 2007 Egyptian customs tariff.

Textile and Apparel Industry

TAPR II undertook two assessments with MTI's Qualified Industrial Zones (QIZ) Unit to promote competitiveness of Egypt's QIZ apparel exports to the United States and analyze why exports were stagnating. For the first assessment, interviews with large and medium-size textile and apparel exporters in August 2008 surfaced a number of themes:

- Difficulties of sourcing inputs from Israel to satisfy the 10.5% Israeli content requirement of the QIZ Arrangement,
- Limited availability of domestic input supplies due to the fact that few Egyptian fabric and trim manufacturers are recognized by international apparel companies as nominated suppliers,
- Labor shortages,
- Weak labor productivity, and
- Limited application of the QIZ advantages outside of the ready-made garments sector.

The study recommended that workforce skills gaps be addressed, mechanisms be sought to facilitate Israeli input sourcing, foreign investment be encouraged, further investigation be focused on labor market supply constraints, and initiatives be undertaken to expand QIZ utilization to other export sectors. To address the first recommendation, a QIZ zone workforce development assessment proposed in May 2009 that a productivity improvement program develop a cadre of local technical production advisors to deliver in-factory training and production coaching to small- and medium-sized, QIZ-approved, export-capable factories. TAPR II's work in the textile and apparel industries in Egypt continued in 2010, with delivery of advisory services to the Egyptian Organization for Standardization and Quality Control (EOS) regarding harmonization of Egypt's textile and apparel product regulations and conformity assessment system with U.S. and European best practices.

SPS/TBT Enquiry Points

TAPR II supported the establishment of the SPS and TBT Enquiry Points in Egypt. The TBT enquiry point was established by the Egyptian Organization for Standardization and Quality by administrative decree. Recruitment, training, and IT equipment support were provided by TAPR II to the SPS Enquiry Point team, both at the Ministry of Agriculture and Land Reclamation (MALR) and MTI. Some MALR staff members were seconded to MTI, where the Enquiry Point resides for the most part.

Rules of Origin

TAPR II advisors developed and delivered a three-day course on Rules of Origin Negotiation to officials of the MTI TAS. The project also prepared and delivered to MTI senior officials of options and recommendations for the development of nonpreferential rules of origin.

Coordination

TAPR II supported the establishment of three joint MTI-Customs committees on combating fraud, IT and data, and IPR border measures. Though the committees do not meet regularly, a mechanism now exists for forthcoming efforts to combat fraud and facilitate trade.

Potential Areas for Further Progress

Potential areas for further progress in trade policy include: IPR border measures, industrial inspection, improving the SPS enquiry point, and establishment of a “single window” which would aim both at facilitating trade and enforcing compliance. This would build on the NCIS as it would incorporate other agencies and ministries in the clearance process. This would take a Presidential or at least Prime Minister-level vision and commitment, but other countries have moved in this direction and Egypt is already lagging behind.

Another area deserving of USAID’s support is the QIZ Unit. In their 2009 report, TAPR II advisors recommended the establishment of a pilot productivity improvement program for Egyptian apparel manufacturers, which would be managed by the QIZ Unit.

A. 3. TRADE FACILITATION

TAPR II advisors assisted in facilitating trade. This consisted primarily of port assessments, border measures, and helping the GOE establish a Food Safety Agency (FSA).

Accomplishments

Assessments

TAPR II conducted a comprehensive assessment of the operational efficiency of the Port of Damietta, revealing organizational, structural, and IT challenges in port operations. The findings were presented to the Deputy Minister of Transport and his team. TAPR II advisors also conducted a preliminary assessment of how an Egyptian port regulator would make a difference in the competitiveness of Egyptian ports. The Ministry of Transport used the study to establish a port regulator with World Bank funding (that work is ongoing as far as we know). The Ministry of Transport was pleased with the TAPR II work and asked for additional assistance, unfortunately, USAID had funding issues at this time and further work for this Ministry was cancelled.

Food Safety Management Unit

An FSA currently does not exist in Egypt. Regulations, inspections, and laboratory testing are currently conducted by a number of different agencies under several different ministries in Egypt. As a result, food safety enforcement is inefficient and haphazard. The Chamber of Food Industries has been pushing the GOE and MTI to improve the food safety environment. At the request of MTI, TAPR II worked with it to establish a food safety management unit to begin the process of establishing a unified food safety regime in Egypt.

Highlights of the TAPR II accomplishments in this area include:

- Led the establishment of an interministerial food steering committee, including private sector, and working groups to establish an FSA in Egypt
- Helped draft a proposed law establishing the FSA
- Led working groups to conduct preliminary data gathering on inspection and food testing laboratories in Egypt
- Recruited FSA management unit staff through a steering committee process
- Secured office space for FSA management unit and procured and installed IT equipment for them
- Developed and presented a paper on the use of risk analysis in food safety
- Assisted in the development of a five-year strategic plan for an FSA
- Drafted a one-year work plan for the management unit
- Assisted the unit in drafting general rules and procedures for inspecting different types of food establishments
- Assisted in the preparation of 10 training modules for food inspectors and guidance for industry (e.g., Hazard Analysis and Critical Control Points)
- Worked with FSA Management Unit to create a database of existing food labs in Egypt, including the capability of each lab to conduct various tests and their accreditations. This was the first time such information had been collected in Egypt
- Held several meetings, including a roundtable event with consumer association nongovernmental organizations (NGOs), to coordinate plans to improve food safety with the informal sector and increasing public awareness about the issue
- Drafted several lab manuals, including FSA lab policy, quality systems, safety requirements, lab classification, training policy, technical regulations for fish and fisheries products, technical regulations for packing, etc.
- Held several workshops for/with media, NGO consumer associations, and AmCham on the issue
- Held a workshop with food testing laboratories to present the results of a laboratory survey and to discuss the creation of a laboratory network
- Completed the first food safety consumer survey in Egypt
- Engaged with other donors to support the food safety activity, including the Food and Agriculture Organization, United Nations Industrial Development Organization, German Agency for Development Co-operation, Dutch, British Standards Institution (BSI)/Swedish Board for Accreditation and Conformity Assessment (SWEDAC) project, USAID, the U.S. Foreign Agricultural Service, and New Zealand aid

IPR Border Measures

TAPR II provided assistance to MTI through the provision of comments on the existing export-import regulations in general and for the provisions related to IPR border measures in general. Comments were provided and discussed with a number of Ministry officials individually and as a committee. In addition, suggested language for amending the regulations was also provided to the Ministry. Several drafts were prepared by the Ministry and were commented on by TAPR II advisors. Unfortunately, MTI did not issue revised regulations during the life of TAPR II and the last version the advisors saw still had not dealt with a number of issues of concern.

Potential Areas for Further Progress

Further assistance to the FSA Management Unit is necessary, even if the food safety law does not pass in the current new parliamentary session. Establishing a new organization that pulls functions from other ministries is never easy. However, the advantages of having a unified FSA in terms of economic impact are very significant. In all cases, output from the management unit, whether the legal review, increasing public awareness, improving inspection procedures, and training or accrediting food testing labs will be extremely useful.

The last version of the draft amendments to the IPR border measures provisions in the export-import regulations the IPR advisors saw were only a slight improvement over the existing regulations. Further work is needed in this area. The regulations need to clearly delineate responsibilities between Customs, TAS, General Organization for Export and Import Control (GOEIC), and IPR Offices and allow Customs or GEOIC to take ex-officio action.

A. 4. PRODUCT REGULATION AND CONFORMITY ASSESSMENT

TAPR II also provided advice and guidance to EOS in the harmonization of regulations and standards with international best practices. Advice was also provided on what EOS terms quality marks.

Key Accomplishments

In 2010, at the request of MTI, TAPR II advisors helped EOS to harmonize its regulations of textiles and apparel products with those applied in the United States and Europe. As a result, the number of regulations affecting Egyptian textiles and apparel was cut from 1,048 to fewer than 20. TAPR II also suggested ways to overhaul Egypt's conformity assessment system to enforce those regulations based on the following core principles: a) producers' general duty to provide safe products, b) probability-based methods for hazard prediction and streamlined conformity assessment by GOE agencies, c) increased reliance on independent, third-party testing of sensitive products (such as children's products), and d) increased penalties for noncompliance.

Potential Areas for Further Progress

Further assistance should be provided to EOS on harmonizing standards for other products. Additionally, the conformity assessment system needs to be overhauled and this will require a significant amount of work and training.

COMPONENT B — FINANCIAL SECTOR MODERNIZATION

Introduction/Where We Started

Component B's original scope of work began with providing technical assistance to the GOE's financial sector regulators and evolved into support for access to credit, entrepreneurship support, and development of a national strategy for corporate social responsibility (CSR). Counterparts and primary project objectives included:

- **CBE** — Worked with its new management and leadership to modernize the institution by introducing new practices, supporting technologies, and infrastructures.
- **Egyptian Insurance Supervisory Authority (EISA)** — Implemented the third and final phase of modernizing and strengthening its supervision role and its reform agenda for the insurance sector.
- **Egyptian Banking Institute (EBI)** — Bolstered the capacity of Egyptian Bankers and CBE staff in the primary areas of: international accreditation, creation of a competency assessment center; establishment of the Emerging Young Leaders Program, and support to EBI in coordinating grants and scholarships for staff and bankers.
- **Capital Market Authority (CMA)** — Assisted with market oversight, surveillance, enforcement and inspection capacity was required, and establishment of CMA's Audit Oversight Board (AOB).
- **MOF** — Modernized and merged the two public pension systems and drafted a new pension law.

Component B

Key Accomplishments

- DMFS software upgraded
- SunGard System implementation
- HR strategy for CBE
- U.S. MBA programs for CBE
- Real Time Gross Settlement System
- Retail Payments licensing and oversight policies and procedures
- ACCET Accreditation for EBI
- FDIC's Corporate University Examiner training for CBE
- Graduate School of Banking Madison Wisconsin with EBI
- Risk Assessment model and tool for CMA
- Auditors Oversight Board
- Draft Private Pension and Health Insurance Laws
- Risk Based Supervision methodology for EISA
- Solvency model for private pension funds
- Policy Protection Fund methodology
- Portal and IT supervision system at EISA
- Internships with NAIC for supervisors and local MBA and CFA
- Insurance Institute
- Merger Plan for two pension funds
- Pension fund call center
- EFSA
- New Hire Orientation for EFSA
- Non bank training institute
- National Corporate Social Responsibility Strategy
- Entrepreneurship Study and legal/regulatory obstacles for new business establishment

- **Ministry of Investment (MOI)** — Supported the establishment of the **Egyptian Financial Supervisory Authority (EFSA)** and the merger of the **CMA**, **EISA**, and the **Mortgage Finance Authority (MFA)**.
- **Egyptian Institute of Directors (EIOD)** — Led activities to better prepare SMEs for access to finance, developed a CSR national strategy, and drafted a new Micro Finance Law that allows regulated companies to enter the marketplace.
- The **Ministry of Health (MOH)** was assisted in the drafting of the new private health insurance law.

In addition to the above, Component B assumed the lead role in working with the USAID Egyptian Financial Sector (EFS) project that supported the MFA in the establishment of the EFSA. Ad hoc support was provided as requested by USAID on varied topics related to access to finance. In addition, the project participated in several panels and conferences related to access to finance and the regulation of market participants.

B. 1. CENTRAL BANK OF EGYPT (CBE)

In addition to the activities described below, TAPR II originally planned on working with CBE on monetary policy and support for the privatization/restructure of banks. CBE did not want support for either of these activities and the focus of the support turned to upgrading the debt management system, supporting the Central Finance Office (CFO) and Risk Management office, real-time gross settlement (RTGS), business consulting and project management, and regulation and supervision of the retail payments systems.

Accomplishments

Debt Management

The following accomplishments were achieved in supporting the modernization of CBE's Debt Management Department's ability to manage and report on GOE debt.

- Provided detailed recommendations for the reorganization of the Foreign Department
- Upgraded the Debt Management Financial System (DMFS). The upgrade was completed in August 2007 with training on the maintenance and the use of the system
- Raised awareness of some of the practical issues with applying an asset-liability management framework (ALM) to the management of public debt. This was accomplished by circulating a draft discussion paper on ALM and a series of meetings with bank leadership
- Initiated work on describing the existing processes of the debt function of the GOE following discussions with the Ministry of International Cooperation and the MOF. Formulated recommendations for the future direction of debt management, in particular foreign currency debt management. The CBE and MOF are continuing their discussion regarding a common debt management strategy for Egypt
- Provided risk management indicators and analytical tools for additions/changes to the monthly external debt report
- Conducted training on risk indicators that are relevant to foreign-currency debt management, such as exposure reporting, sensitivity analysis, stress testing, scenario analysis, and value at risk

HR

- Facilitated CBE's first leadership workshop to discuss the strategic vision for the bank. CBE leadership identified a series of detailed strategic objectives, which contributed to CBE's strategic plan. CBE took ownership and actually moved the process along and adopted a strategy. However, when the senior official serving as this initiative's champion left the bank, the initiative lost momentum
- Presented organizational chart recommendations (the first three CBE levels: Governor, Deputy Governor, and Subgovernor) to Executive Management for approval and adoption
- Arranged an international study tour for a team from the CBE to Mexico to meet with Banco de Mexico to discuss its bank restructuring. Discussions were held related to position mapping times, integrating IT systems, preparing a strategic plan, as well as implementing new position descriptions and compensation. The CBE found the trip highly useful and planned to continue a twinning relationship
- Five CBE staffers attended Masters Programs in the United States and graduated

CFO Office

- Assisted the CFO with a review of all traded instruments and current operational processes, including external debt management
- Assisted the Risk Management Unit (RMU) with a gap analysis of the Sungard Quantam Accounting System and developed recommendations for accounting entries
- Established a Risk Department and introduced enhanced project management techniques
- Trained the RMU and Internal Audit Department
- Created a single chart of account (CoA)

Information Technology

- Implemented a RTGS that went live within two years.
- Developed the strategy for retail payments based on an extensive assessment of existing retail payment mechanisms in Egypt. Policies and regulations were written to cover nearly all aspects of central bank regulation and oversight of retail and wholesale payment systems.
- Drafted the payment system decree which will eventually be operative as a part of the new central bank law in Egypt. This document forms the legal basis for the work of the payment system department in its role as regulator, operator, and supervisor of payment systems in Egypt. Completed the development of the oversight function of the central bank on payment service providers that included: licensing procedure for payment service providers, application review, and approval and the inspection process that is to be performed both as part of the initial licensing process and as an ongoing activity in the oversight process.

While all areas of support to the CBE were important, the introduction of the RTGS to Egypt and its banking sector was the most important. The RTGS eliminated the risk of a bank being unable to meet its settlement obligations with the CBE no longer was responsible for covering the settlement losses caused by a defaulting bank. Bank customers also benefited by being able to receive immediate credit as soon as a RTGS payment instruction is

received. Banks now manage their funds far more effectively than in the past utilizing this more timely and accurate information.

Retail payments are the second area that deserves special mention. Prior to TAPR II involvement, CBE had planned to become an operator in the payment sector instead of a regulator and supervisor. With the introduction of mobile banking and other developing options for payment processing, CBE needed to take an active lead in regulating and supervising a fast-moving industry. After project input, CBE, MOF, and the industry created a payment operator owned by 26% by CBE, 26% by MOF, and 48% by the industry participants. This work allowed CBE to begin regulation of a part of the marketplace that had been operating without supervision.

Work with the debt department was also successful. However, other areas of support to HR, CFO, and bank operation were not as successful. The lack of success was due to the weak commitment by the counterpart, internal disputes within the bank, departure of a champion counterpart, and changes at the Deputy Governor level.

One additional area that cannot be overlooked was USAID's ability to support staffing important positions within CBE. This activity permitted CBE to attract qualified candidates that had experience outside of Egypt in developed economies.

Potential Areas for Further Progress

Remittances remain an area within the financial sector that would benefit from technical assistance to determine more about the market. There is little regulation and the costs paid by consumers for remittance services is often very expensive. Informal methods of remittances are unregulated, off book and provide little if any consumer protection.

Deposit Insurance for the banking sector needs to be developed. Egypt is far behind countries in the region and internationally — Egypt is the only country in its peer group (Jordan, Sudan, Lebanon, etc.) that does not have a deposit insurance system. The CBE's position that it will cover all deposits and that no bank will fail increases the moral hazard in the banking sector and places the cost of bad banking on the government instead of the industry.

B. 2. EGYPTIAN BANKING INSTITUTE (EBI)

Support to EBI mainly consisted of efforts to achieve accreditation which required a major restructure of EBI's operations to meet the Accrediting Council for Continuing Education & Training (ACCET, a U.S.-based ISO 9001/2000 accrediting agency) standards. Accreditation is a voluntary process entered into by an educational institution whereby ACCET grants public recognition through an evaluative comparison of the institute's compliance with the standards for accreditation demonstrated through documentation and actual practice.

TAPR II also supported EBI's development of CBE's supervisors through establishing a formal relationship with Federal Deposit Insurance Corporation's (FDIC)'s Corporate University, which provided training programs for CBE examiners at EBI.

To further the development of the Banking Sector, EBI and TAPR II sent students to the Graduate School of Banking (GSB) at the University of Wisconsin — Madison and the first two groups graduated from the three-year program by the end of the project.

TAPR II also provided input into EBI's Future Leaders Program, Testing and Evaluation Center, SME Department, MicroFinance Department, HR Department, and responded to other ad hoc request that arose during the accreditation process.

Accomplishments

- Developed a Standard Operations Procedures Manual (SOPM). The SOPM provides the policies, procedures, and forms for EBI administrative and training operations. This manual provided the policies and procedures to guide every major job function at EBI and became the cornerstone for the entire effort. It also served as the primary source for writing the final electronic Analytic Self-Evaluation Report required by ACCET.
- Delivered, a training of trainers program that consisted of a series of four courses to educate, prepare, and equip EBI training staff and instructors on how to implement the SOPM. Trainers were coached on how to analyze, design, develop, evaluate, and deliver curriculum according to EBI's newly adopted instructional system design, the ADDIE Model¹.
- EBI was awarded ACCET accreditation for the term of five years, until April 15, 2014, a rare accreditation term. This gives EBI the distinction of being the first and only ACCET accredited financial training institute in Egypt and the surrounding region.
- Introduced the GSB — Madison to future bank executives and FDIC's Corporate University's training of CBE examiners, key resources available to improve banking and supervision. Plans for continuing both programs and for the development of a GSB in Egypt that is affiliated with GSB — Madison are ongoing.

Potential Areas for Further Progress

EBI is working on the establishment of a Banking University and will require support. Given the importance of the financial sector in Egypt's ability to grow, support should be considered. Linkage with University of Wisconsin — Madison or another university with a GSB should be supported which will provide ongoing access to courses, instructors, practitioners, and an accredited university program. The program from Madison is quite relevant as it consists mostly of participating bankers from the Midwest in the United States, who are generally community and regional bankers with SMEs as clients. They have unique knowledge and experience in lending to SMEs and through implementation of a formal graduate program, could greatly enhance the marketplace. FDIC's Corporate University training of bank examiners for CBE is also a relationship that should be supported and developed further as CBE requires ongoing training to build capacity and skills that are not readily available in Egypt.

EBI must maintain its improved operations to remain in compliance with ACCET's accreditation standards. The five-year award is both a blessing and a curse. Due to the long time frame, the pressure to comply with standards may ease and operations may return to former practices that did not meet standards. Based on USAID's contribution to EBI's accreditation, it should consider supporting an accreditation audit in 2011 to confirm that EBI is maintaining its commitment to excellence.

¹ The ADDIE Model is the leading industry instructional systems design model and defines the five primary components of instructional design: Analysis, Design, Development, Implementation and Evaluation (ADDIE).

B. 3. CAPITAL MARKETS AUTHORITY

Support for the CMA was focused on supervision and how to improve the supervisory process. Initial activities began, however, there was a general lack of focus as the CMA also had EU advisors working on supervision. In year two of the project, a proposed transition plan was formalized that established a process for the CMA to move to a risk-based approach. From this point forward, work at the CMA focused solely on the establishment of an AOB, which was made into law.

Accomplishments

- TAPR II provided CMA with advisors from National Association of Securities Dealers to assist with the transition to risk-based supervision and improved market surveillance. A risk assessment tool was also delivered.
- Established the AOB and prepared a body of internal implementation documents that contained draft rules and regulations and policies and procedures for:
 - Auditor Registration Department
 - Auditor Inspection Department
 - Auditor Enforcement Department
 - Continuing Professional Development Department
 - Preparation of draft memoranda of understandings between the AOB and MOF and AOB and ESAA

The establishment of the AOB provides CMA (now EFSA) with the ability to enforce audit standards for regulated and listed companies. This is a major step in improving transparency in financial reporting as well as establishing professional standards in the marketplace.

Potential Areas for Further Progress

Supervision and the AOB still require support and assistance in training its staff to conduct peer review audits and improve audit standards.

B. 4. EGYPTIAN INSURANCE SUPERVISORY AUTHORITY

The purpose of this activity was to: 1) Support the Egyptian Insurance Supervisory Authority (EISA) in implementing the third and final phase of modernizing and strengthening its supervision role; 2) Implementing its reform agenda for the insurance sector; and 2) Supporting the achievement of policy benchmarks under the MOU between the Government of Egypt and U.S. Government signed in March 2005 for financial sector reform. Support and technical assistance in insurance, private pension, and health insurance sectors, including the privatization of state-owned insurance companies were the primary objectives of this effort. A particular focus was placed on: due diligence and pre-privatization restructuring, financial supervision and market conduct, actuarial training and other related activities. In addition to technical assistance, procurement of IT hardware and software were also undertaken which created a more efficient business process environment.

Accomplishments

- TAPR II provided an actuarial science instructor for Cairo University (CU) for the first 18 months of the project and provided training to the EISA staff.
- TAPR II upgraded EISA's hardware infrastructure and software to expand and enhance its Web site (portal), created supervision automated systems to assist with field inspections, and improved its document archiving system for paper-based documents. Training on the operation and maintenance of the systems was also provided. In addition TAPR II provided a number of laptop computers for the supervisors in the insurance and pension areas.
- The EISA portal was completed with functions and features to authenticate and identify system users, providing an intuitive, personalized, and user-customizable Web-interface for facilitating access to information and services. The portal was developed and implemented with five main modules, each of which is connected and integrated together to meet required functionalities and make desired information easily accessible. The modules are:
 - The Public Interface (Public Web site)
 - The Content Management System
 - Online Complaints
 - Online Registration
 - On-line Submission of Insurance and Pension Fund Reports
- Automation of the inspection report section notes and work papers was completed in June 2009. This was developed at TAPR II with staff programmers as well as programmers retained by EISA through the project implementation letter program. The automation of the inspection reports allows managers to assign section reports to inspectors and to monitor and manage the information as it is being developed. If used properly, this will enhance the efficiency and quality of reports and assure transparency in the process.
- TAPR II led the conversion from a compliance-based examination system to a risks-based supervision (RBS) approach. To implement the change, a team of champions was identified to assume a lead role at EISA and administer training. Training for the team of champions continued on a weekly basis along with supplemental training as required. The first site visit piloting the risk-based approach at an insurance company took place in the summer of 2007. The teams continued training on the supervision manuals in addition to using their experiences with supervision of insurance companies as on-the-job training to compare. The manuals developed by TAPR II included:
 - RBS training materials for the financial audit module
 - Financial audit module
 - Section notes and inspection plans
 - Market Conduct

Support continued throughout the project as it became obvious that the inspectors required on-the-job training on how to conduct inspections and write reports.

- In order to implement RBS, EISA had to reorganize its structure and operations. The project mapped the existing supervisory process, recommended a new organizational structure, and completed new position descriptions for the supervisory areas. Selection of the new supervisory staff was completed and EISA formally reorganized with the establishment of new teams.
- A detailed analysis of proposed Egyptian health and pension legislation was conducted and recommendations for improvements were made. In addition, support for public presentations and media workshops was provided to help educate industry participants as well as the general public.
- Facilitated a meeting with MOH and EISA to develop clear understanding of EISA's role as a supervisor and MOH's role as the regulator for health-related quality issues.
- In 2008, the Chairman of EISA asked TAPR II to update the 2003 pension fund solvency study. The majority of private insurance funds in Egypt are solely funded by participant contributions. These plans are intended to provide a defined benefit upon retirement based on the pay of the participant just before retirement. The security of these retirement benefits is of paramount concern for the government and EISA who regulates the funds. A solvency analysis of a random sample of private funds in 2003 revealed that a sizeable portion of these plans were underfunded on a solvency basis, even though they were showing a surplus on an ongoing funding basis. Most private funds did not perform a solvency valuation and the regular ongoing plan valuation could be manipulated to show a surplus. This led to high benefit distributions and severe underfunding of the plans, with a detrimental effect on benefit security and solvency.

The updated study reviewed 46 private funds covered in the study with funds exceeding LE 10 billion, and representing over 50% of total private fund assets in Egypt. These funds cover over 2.3 million participants, which constitute more than 50% of total private fund membership in Egypt. The solvency study illustrated the potential solvency risk of the private fund industry in Egypt.

A solvency valuation was performed on each of the selected private funds. Based on the study, TAPR II provided EISA with solvency methodologies and recommendations for better supervision of the funds. EISA implemented the new financial modeling and no longer approved requests for withdrawals and special "retirement" bonuses to executive's pensions. These changes have improved the financial solvency of many of these funds.

- Completed a strategy plan and operational budget for the establishment of the Egyptian Insurance Institute (EII) and assisted in the recruitment of an Executive Director that began working in April 2007.
- Sponsored several internships for EISA staff at the National Association of Insurance Commissioners (NAIC) in the United States. The interns attended a national meeting and then worked at a State Insurance Department for approximately one month. This provided the EISA inspectors a unique opportunity to see how other regulators inspected and supervised the industry. All of the EISA inspectors came back to Egypt with the recognition that they needed additional training and knowledge before they would be peers with the U.S. state examiners they worked with.
- Students received Chartered Financial Analyst at Egyptian universities and MBAs.
- Drafted internal audit Department policies and procedures.

- Reviewed internal procedures for EISA finance department to select “model” audit area for initial training.
- Developed an audit program for “model” audit.
- Developed initial training program.
- Introduced two internal audit functions (includes charter and code of ethics).
- Developed policies and procedures in accordance with internal audit standards.
- Supervised conduct of the “model” audit.
- Investigated other areas in EISA operations requiring internal audit and prepared preliminary internal audit plan.

Potential Areas for Further Progress

Development of the insurance supervisors will require ongoing training supported by an experienced career supervisor. Leadership at EISA (and now the EFSA) does not have traditional career supervisory experience and this has had an adverse effect on the development of career supervisors in the organization. A risk based supervision methodology requires experience that supports professional judgments on the associated risks. TAPR II advisors believe that EFSA (formerly EISA) is quite weak in this area due to limited experience and no formal development programs managed by career supervisors.

B. 5. PENSION REFORM

The project team began work on the pension reform activities in September 2007 and presented its findings and recommendations to the Minister of Finance who accepted them. The Minister asked TAPR II to develop a modernization plan and implementation plan to make the recommendations actionable. In addition, the Minister requested support for “quick win” activities that would demonstrate to the public that ongoing reforms would improve service.

Accomplishments

TAPR II developed a strategy and implementation plan for the modernization and merger of the two pension funds. Priorities for implementation were agreed upon and are detailed below:

- Established a National Pension Funds Contact Call Center to enhance the quality of information provided to scheme participants by directly addressing their queries about benefit schemes and laws. This initiative was designated as a high priority because of its impact on enhancing the level of information and quality of service to the public. The contact call center provided a direct link between the funds and the citizens they serve and provided benchmarks by which to gauge key performance indicators.

To host the Call Center, two critical procurements were required — facility upgrade and information technology equipment. The procurement of a qualified Egyptian construction firm to upgrade the facilities at GOE Pension Fund headquarters was completed in March 2009. TAPR II partially funded the construction activity, including electrical works, HVAC, computer and telephone networks, fire prevention, and a customer queuing system.

A second procurement completely funded by TAPR II was for the purchase of computers, servers, network equipment printers, and voice-over IP call center

hardware and software. This procurement was completed in the second quarter of 2009. The walk-in customer service center and call center are now operational and are considered a major improvement in customer service operations.

Within pension reform, there were several quick win activities that TAPR II embarked upon that never came to fruition, either because of weak counterpart commitment, a shift in priorities, or lack of funding. These activities are described below:

- Provided recommendations to strengthen the budget and planning processes to improve the financial management of the Funds. The goal was to increase the reliability of the budget forecasts through the use of actuarial forecasting methods and a five-year business plan. TAPR II provided recommendations and was available to support the implementation.
- Provided recommendations to improve the accounting reporting system and strengthen accountability and transparency with the goal of implementing an improved accounting reporting system to give senior management better and more timely financial management information and to provide greater transparency and control.
- Recommended establishing a CFO position to set the financial direction and goals, to oversee the operations required to drive the change and modernize the funds, and to improve their accountability and response to the public.
- Recommended creating a more uniform approach to financial and managerial reporting by improving the naming and usage of accounts to conform to international standards. A revised CoAs would improve transparency in accounting and reporting.
- Determined requirements for an enterprise resource planning evaluation and selection for HR and Finance and Accounting. The lack of such a solution placed constraints on the internal operations of both funds and significantly diminished their effectiveness.
- Created a shared services organization through the use of task forces and hired a modernization project manager to coordinate the organizational transition. This was a key step toward improving administrative efficiencies, moving the Funds closer to leading practice operations, and ultimately improving customer service. TAPR II assisted with the recruitment, selection, and hiring of the merger project manager.

Other quick wins that were recommended but were not implemented due to lack of Ministry support included:

- Creation of a new investment, asset management, and cash management policy in accordance with international standards
- Upgrade of cash management functions
- e-Archiving

We were able to provide training and capacity building to support the pension funds, including IT training and actuarial education.

- Provided IT training focusing on enterprise applications development and design patterns as outlined below:
 - Enterprise Architectures:
 - Enterprise Java beans (EJB 3.0)
 - Object Oriented Design Patterns

- Develop Web Applications with JSP and JSF
- Using IBM Tools:
 - IBM Relational Software Architect
 - IBM Rational Application Development
 - IBM DB2 Database
- Sent seven of the Ministry's actuarial staff to the UK to obtain their master's degrees in actuarial science. This program was cost shared with the Ministry. Given the scarcity of actuaries in Egypt and the long education process to become a certified actuary, the 18-month program met the needs of the Ministry. All seven participants graduated and returned to the Ministry in 2009.

Potential Areas for Further Progress

The GOE has approved a new pension law that will establish a new fund for employees entering the work force. This will require support to help with issuance of decrees, policies, procedures, etc. All aspects of the organization will need to be developed and implementation support will be required. However, support should not be given unless the Fund and the Ministry are willing to implement a change management program and introduce best practices. Starting anew with the same staff, attitudes and work ethic will lead to failure.

The actuarial program should be continued. There is a lack of certified actuaries in the country and many of the existing ones have not keep current with the trends in the industry and professional ethics. Egypt needs to develop more qualified actuaries and cost sharing with the Ministry is an effective method of leveraging resources.

B. 6. MOI — MICROFINANCE

Our advisors worked with USAID's MicroFinance project implementer and MOI on the establishment of non-bank microfinance lenders.

Accomplishments

- Produced executive regulations and general rules for companies
- Developed workshop materials for meeting with stakeholders to present the executive regulations and general rules
- Drafted a work plan for capacity building for MOI regulation and supervision of microfinance companies

B. 7. EGYPTIAN FINANCIAL SERVICES AUTHORITY

In 2008, the MOI began activities geared towards the establishment of a non bank consolidated supervisor. TAPR II advisors were asked to participate in both the planning and implementation phases of the merger of the CMA, EISA, and the MFA. Due to the amount of work required and constrained resources under TAPR II, our advisors worked closely with USAID's Egyptian Financial Services Project (EFS Project) team on this activity.

The EFSA was formally established on July 1, 2009, with the passage of the implementing legislation. TAPR II's support is outlined below.

Activities began in January 2009 with a due diligence assessment conducted in the areas of Human Capital, Information Technology, Facilities, Accounting, and Financial Sustainability.

The due diligence report was delivered in March 2009. MOI asked TAPR II to begin implementing the recommendations related to these five areas and requested an ongoing due diligence assessment on the remaining operating departments at CMA, EISA, and MFA. The due diligence task on the remaining operating departments was completed in mid-year 2009.

Accomplishments

- Conducted due diligence of the supervision, operations, and other support departments that allowed for mapping of roles and responsibilities. This facilitated the development of a merger plan for the three existing entities and a combined organizational chart.
- Conducted leadership workshops to discuss the issues and challenges of establishing a consolidated regulator.
- Developed a merger plan and established a Project Management Office (PMO) at EFSA to monitor and support the merger.
- Facilitated space planning for the consolidation of the staff, including drawings for all of the former CMA, EISA, and MFA properties.
- Made IT security system, HR management system (HITS an Egyptian developed HR management system) recommendations.
- Supported compensation policy recommendations.
- Provided a regulatory snap shot of compliance by the regulators in meeting accepted international standards.
- Recommended performance indicators for the supervisors.
- Supervisor course review, development, and incorporation into the career path.
- Recommended changes to decrees on derivatives, factoring, leasing, and other areas as requested.
- Developed a model of the Insurance Protection Fund.
- Established a non bank financial sector training institute.
- Improved the EFSA human resource operations and capacity. The support to the HR department was a priority. EFSA and its legacy organizations did not build a formal training and develop process for supervisory staff which resulted in a lack of qualified resources. To meet the EFSA's goal of moving from approximately 50 regulators to a core of 300 regulatory staff, required a robust HR department. Our work in the development of an organizational chart, the drafting of new position descriptions for the supervisory staff, presenting recommendations for a formal career path that includes on-the-job training coupled with educational requirements, and the design of individual develop programs for new and existing staff to help them move up the career path, were the major focus of our support to the HR department.
- Designed and implemented a rotation program that provides new hires with the opportunity to work in all the supervisory areas of the EFSA building their career path. Approximately 125 qualified candidates were identified through testing and interviews resulting in approximately 35 new supervisors being hired through a transparent and rigorous process. These new hires were given a three-month orientation that covered the role of the EFSA, the markets they regulate, and the skills that they will need to develop to be successful regulators.

- Implemented individual development plans for the new hires and existing supervisory staff. This resulted in a formal plan for new hires to rotate through departments to gain an understanding of the supervision requirements in each area and then move into a more specialized role. Throughout their career, they will continue to be exposed to all regulated markets to ensure that they can function as consolidated regulators and future managers within EFSA. For the existing staff, individual development plans will provide a guide for training needs. Most of the existing supervisory staff have experience in only one area regulated by EFSA. To move to a consolidated supervisory role, they will need to gain knowledge and be exposed to the other areas.

The long-term goal is to develop supervisors that can operate in a consolidated environment across market areas, while institutionalizing the training and development process. One of the noted weaknesses in Egypt's supervisory system is the lack of formal training and development. TAPR II has laid the foundation at EFSA to address this problem.

- EFSA established a non-Banking Training Institute to meet the training needs of EFSA's staff and the marketplace. The decree approving the establishment was issued on September 2, 2010. The new employee orientation is the first activity that the training institute assumed along with the programs being offered by the EII and licensing requirements being provided through EFSA. TAPR II drafted the business plan for establishment and operations of the institute for the first three years.
- Designed an insurance protection fund to protect policy holders in the event of an insurance company's failure. TAPR II advisors worked with the actuaries at EFSA to develop the coverage criteria, funding methodology, and modeling to forecast the funds growth to solvency. Establishment of the fund will place the cost of failures on the industry and should help build public confidence in the financial markets.

Potential Areas for Further Progress

There are several areas where EFSA will need support going forward.

- Supervision — EFSA requires additional support and training. There is a lack of qualified supervisors to train new staff, update the skills of existing staff, and to implement new risk-based methodologies. In addition, the best staff members have to supervise the regulated companies which limit available time for staff development. With new products and industries expected to enter the market, training and career development should be the number one priority for EFSA. In more developed agencies, on-the-job training led by experienced regulators along with classroom training is the norm, but this requires a cadre of trainers and mentors that EFSA does not have and will have to supplement through advisors.
- Research and Reporting — EFSA needs to develop better early warning systems for its regulated entities. To do this, it must have better information and systems to analyze information. Movement towards new technology for electronic submission of information will better position EFSA to monitor and report on the industries it regulates.
- Human Resources — Given the staff development needs of EFSA, a strong HR department is required that can act as a partner with executive management. Currently the HR department has no professional employees with the necessary experience to move EFSA forward. Issues related to the HRMS system, learning management programs, performance management, and career development and

counseling are nonexistent. Legacy government HR issues will continue to create obstacles that cannot be overcome without support from outside of EFSA. A fully staffed professional HR department is a key step to the long-term success of EFSA.

- Internships — EFSA should continue its relationship with NAIC and maintain the very successful internship program (initiated under EISA) and develop similar programs for future regulators with other appropriate institutions in the capital markets and the mortgage finance areas.
- Accredited Training Institute — Support for the establishment of an accredited institute is needed. Like EFSA, the institute has few internal resources it can draw upon to establish the institute. Meeting accreditation standards requires all aspects of the institute to be addressed and, based on our experience with EBI, assistance will be needed from outside EFSA. The Institute has the advantage of starting from “ground zero” instead of restructuring a legacy organization so they should be better positioned to begin leading practice operations.
- Market Development — EFSA has a unique opportunity to help develop new and build upon existing markets. Limited access to financial products has an adverse effect on new business growth and the expansion of ongoing business. Improved access to finance through regulated micro finance companies, leasing, factoring, mortgage underwriting and other financial products (such as title insurance) will require leadership and EFSA is well positioned to lead and should be supported.
- Establish an Accredited Arbitration Center for Capital Markets, Insurance and Mortgage Finance — Support for the establishment of an EFSA Arbitration Center should include preparation of a business and strategic plan to develop the goals and objectives of the Center, define its organizational structure, develop its products and services, and establish its international linkages. Development of a financial management plan, including start-up and operational budgets, with particular attention given to determining the correct level of arbitration fees so that they will support sustainability, will also be required. The Arbitration Center’s marketing, public awareness and communications plans will also require support. Development of certified arbitration training programs that are performance based (using the ADDIE Instructional Systems Design Model-- Analysis, Design, Development, Implementation and Evaluation) will also be required.

B. 8. CORPORATE GOVERNANCE

SMEs in Egypt represent a large segment of the business community that requires access to financing in order to grow and create jobs. The Egyptian Institute of Directors, under the MOI, is leading efforts to help educate SME on basic Corporate Governance and the required information necessary to obtain loans. Its objective is to provide basic governance training, basic managerial skills, basic accounting and finance training, internal controls in the business, delegation of authority, succession planning, managing risks in SMEs and how to apply for a loan.

Accomplishments

TAPR II worked with the EIOD staff to prepare training materials on basic corporate governance for the small, medium, and family-owned businesses and to detail documentation required to successfully apply for a loan. We developed materials and trained local Egyptian instructors to lead the training efforts. The training materials covered the following topics:

- Basics of corporate governance

- Basic managerial skills
- Basics of accounting and finance and how to apply internal controls in the business
- Delegation of authority and succession planning
- Managing risks in SMEs

Further, the project drafted training materials for development of a loan application that addresses the loan underwriting requirements of the commercial banking sector.

Potential Areas for Further Progress

Access to finance remains a priority of the GOE and many donors. Whether working through EIOD or other organizations, training is needed to help prepare SMEs and entrepreneurs for dealing with banks and other lenders with financing resources. There have been numerous efforts to train SMEs but these programs have never been directly linked to available financing resources. This is a major flaw in the design of the training programs and should be corrected for future training events.

GAFI's investment fund will also provide opportunities to work with companies on access to finance. Introducing a third party to review and provide input on the asset management firms plans and activities will help provide transparency and reduce GAFI's risks.

B. 9. CORPORATE SOCIAL RESPONSIBILITY

The Government of Egypt, through the MOI, placed a priority on the inclusion of Corporate Social Responsibility for companies operating in Egypt. Many of the multinationals and large domestic companies have implemented CSR programs but the majority of businesses are unaware of the principles or how to implement a CSR program.

EIOD is leading efforts to help develop a national CSR strategy. Since the development of the strategy needs coordination among many government ministries (e.g., MOI, MoF, MOM, and MOIT), a formal process of development is required. The strategy will address why there is a need for a CSR strategy, what is the government's role in promulgating the program, how to most effectively promote and implement CSR programs, what tax incentives or other benefits might be offered to encourage companies to develop CSR programs, and how might Egypt take a regional role in the development and implementation of CSR programs.

Accomplishments

TAPR II began this work in June 2010 working closely with the EIOD staff. A number of stakeholder meetings were held to identify key areas and issues. Based on the stakeholder meetings, the project drafted the strategy and met with EIOD staff in late August to finalize the draft. An additional stakeholder meeting was held in late September to discuss the draft strategy and provide additional input into the development of final recommendations for the strategy.

Potential Areas for Further Progress

Given the timing of the CSR activities, the national strategy was not completed before the end of TAPR II. Incorporation of CSR support, through implementation, into future donor programming is recommended.

B.10. ENTREPRENEURSHIP

Governments can play a key role in fostering entrepreneurship by developing a conducive legal and regulatory framework that limits constraints to innovation and risk taken by entrepreneurs. There are a variety of policies that effect the entrepreneurship policy environment, including fiscal policies, competition policies, education and technology policies, labor market policies, licensing and permit requirements, etc.

The GOE has made efforts to improve the business-enabling environment in recent years as illustrated by the improved rankings in recent Doing Business Reports. Also, the 2008 Global Entrepreneurship Monitor, Egypt ranked 11 out of 31 countries in 'Government Policies' that support entrepreneurship. The GOE scored well (3.14 out of 5) in placing a high priority in supporting new and growing firms. However, the report scored "coping with government bureaucracy, regulations and licensing requirements" 1.75 out of 5, highlighting the fact that unnecessary regulatory and legal obstacles to entrepreneurship remain a concern. The 2008 Global Entrepreneurship Monitor also ranked Egypt last in "education and training." "Lack of entrepreneurial training" and "inadequate access to finance." were among the top three areas cited constraining entrepreneurial activity in Egypt.

With the increased attention being given to the entrepreneurship issue in Egypt since President Obama's Cairo Speech in June 2009 and greater GOE focus on the issue, a window of opportunity exists to address key regulatory hurdles for entrepreneurs.

Numerous studies have shown that fast-growing entrepreneurs are the major job creators in a country because of their ability to find new growth opportunities for new products, services, and processes that can benefit a fast-changing world. Entrepreneurs typically have a natural advantage of being more flexible to respond to changes with the market, technology, or environment which allows them to pursue new opportunities, and become fast-growing job creators. Countries like the United States and Malaysia have had entrepreneurs lead changes from agriculture economies to high growth and high value services and manufacturing economies. Unfortunately, Egypt has numerous SMEs, but very few that want to grow, find new markets, or develop new products.

Egypt has some major issues to address in developing growth entrepreneurs: Egyptian entrepreneurs need a mindset change where they are focused on growth opportunities. They also need access to markets where they can create growth opportunities, such as business-to-government and business-to-large industry. If entrepreneurs are not pursuing growth opportunities, they are going to be less attractive to venture capital (VC) firms; this is a primary reason VCs are not prevalent in Egypt. At the same time, the banking system in Egypt does not have the products, processes, or distribution channels to fully serve entrepreneurs.

There are a number of ongoing entrepreneurship initiatives which are mostly dominated by government initiatives of the Industrial Modernization Centre (IMC) and the Social Fund for Development (SFD). A majority of the entrepreneurship activities are focused on much-needed soft skills, leadership, and business competition for SMEs and students. However, these activities generally do not lead to commercial ventures in Egypt.

Some major issues are the bankruptcy laws and limitations on universities in working with the private sector which create bottlenecks in teaching entrepreneurship and/or developing university research. Although the process of business registration has been streamlined, entrepreneurs are still faced with multiple government bureaucratic obstacles, such as lack of transparency and overlapping regulatory authorities.

There is a need for Egyptian entrepreneurs to become more market-focused and for established firms to collaborate more fully with entrepreneurs. There have been a number of USAID projects that have helped entrepreneurs learn how to engage with markets, create replicable entrepreneurs, and create business-to-business linkages.

Accomplishments

- MOI is developing a training program for university students and young graduates focused on entrepreneurial and finance skills. The main objective is to provide participants with practical entrepreneurial skills, experiences, and financial tools to help them start their own businesses. Working with GAFI and the EIOD, TAPR II created a mapping of programs currently in place in Egypt. In August 2010, TAPR II finalized the entrepreneurship report and it was distributed and circulated for comment by various Ministries and stakeholders.
- MTI Aid to Artisan project and the IMC requested TAPR II to design an action plan for the entrepreneurial activity that MTI would like to implement for the 60 designers. The project reviewed the program and made a recommendation to establish a design hub that provides the critical services to empower designers to grow to the next stages of development. The design hub supports efforts at increasing production capacities, linking designers with industry and creating the right designs, and preparation for attending trade shows. Its governance structure is driven by the private sector, including designers, industrial participants, and service firms along with the government providing support. The design hub is staffed with people from the sector that have the right expertise to give advice and link designers to critical resources.

TAPR II also discussed the lack of financing for the designers and began early discussions on the best alternatives for financing. The SFD, GAFI, and the banking sector are resources, but the linkage between designers and lenders needs improvement. To be successful training for the designers on how to change their business models to become more bankable is required.

- Beginning in late August 2010, TAPR II conducted a review of existing regulations affecting entrepreneurship policy, including, but not limited to;
 - Ease of firm entry and exit (including permits and licenses, and competition, bankruptcy, company, patent/IP, and other laws)
 - Labor and wage issues
 - Tax policies and regulations (including audits and use of tax credits)
 - Regulations affecting access to finance (including venture and angel capital)

The review included meetings with institutions involved in supporting entrepreneurs in Egypt to determine the current status and issues impacting the entrepreneurship policy environment. They included:

- Egyptian Junior Businessmen's Association
- AmCham
- Entrepreneurs' Business Forum
- International Development Research Center
- U.S. Egypt Business Leaders Forum
- EIOD
- GAFI

The final deliverable, a report titled *Impact of Regulatory Environment on Entrepreneurs in Egypt*, included an assessment of the entrepreneurship policy environment in Egypt, key constraints, and a prioritized list of recommendations ranked on their expected benefit improving legal and regulatory support to entrepreneurship and innovation in Egypt.

Key findings of the report include the following:

- Entrepreneurs, particularly small entrepreneurs, face a difficult framework of laws and practices in Egypt. The legal landscape for entrepreneurs is confusing and virtually impenetrable. Multiple government institutions appear to have overlapping authority over businesses.
- Business registration — the formation phase of business — is complicated, but not identified by entrepreneurs as a major obstacle. Several one-stop shops offer a pro-customer approach, but they appear to be “workarounds” in an otherwise byzantine regulatory institutional environment. These one-stop shops are a great benefit to business in forming companies, but they do not appear to help businesses in handling operational issues, such as permits and inspections at the local level.
- Recent policy reforms for business appear designed to steer business toward designated areas and promises to provide some of this ongoing assistance to businesses within zones. Unfortunately, this will leave many smaller entrepreneurs — those who do not or cannot make it into one of the designated areas — unattended. The result is that a great number of small entrepreneurs will remain locked in the informal sector, operating under the radar of the business regulatory and tax revenue collection environment.
- The licensing and inspection process in Egypt places a great burden upon business, not because inspection and licensing are not necessary, but rather because they are implemented indiscriminately, essentially preventing legitimate business until the government can verify circumstances. The lack of transparency and accountability in this system leads to strong perceptions of corruption, which are probably accurate.

The licensing and inspection system can be substantially improved through both legal and institutional reforms. Despite significant efforts by the government to move responsibilities away from local governments and to the central government, the local nature of most licensing and inspection processes means that a large percentage of entrepreneurs will be left to deal

- With opaque local government practices. USAID has an opportunity to address this gap directly by working with local municipalities to implement, on a pilot basis, an incentive-based improvement program — a business-friendly certification program.
- Finally, while the liquidation process has been identified as a significant obstacle by entrepreneurs, it is likely that a relatively minor intervention may resolve these problems.

Potential Areas for Further Progress

This area has a wealth of potential for support. Access to finance and improvements to the regulatory environment for SMEs and entrepreneurs is important for the development of new businesses and the growth of existing businesses. Support for developing a design hub as a pilot for other industry segments is also an opportunity to support economic growth.

B.11. ACCESS TO FINANCE

Access to finance remains a challenge for SMEs and entrepreneurs. While banks state that they are interested in lending, most remain reluctant to enter the market. The CBE’s program to reduce reserve requirements for banks with loans to SMEs was designed as an incentive for banks to lend to the sector, but it had limited effectiveness. Banks continue to earn attractive returns on their investment portfolios and have little incentive to lend to SMEs which require dedicated capital, funds to develop the market, specific products and a trained

staff to manage the program. Linking borrowers with lenders remains a significant challenge in Egypt.

Accomplishments

TAPR II participated in several conferences and the component lead served as a panelist in many of these conferences to identify the reasons for the lack of finance. Based on our work with EBI, EIOD and interaction with the marketplace, we understand many of the obstacles faced by SMEs when approaching financing resources.

Our review of the SFD's lending programs also illustrates that the problems are not solely from the private sector. The SFD is the government's lending arm that should be advocating and lending to SMEs, but experience has shown that the lack of clear and transparent lending criteria and decision making has an adverse effect on SFD's ability to lend. After the SFD's presentation offering business consulting and financing to the 60 designers being supported by the MTI, only three approached the SFD to learn more. This illustrates the lack of confidence in the public financing options and the SFD.

TAPR II provided advice to GAFI in its design of the SME 1 Billion LE equity fund. Our comments focused on the oversight, structure, and management of the fund's asset managers appointed to make the investments.

Potential Areas for Further Progress

SMEs need to be prepared to borrow and to identify lenders to lend. This could be achieved by conducting stakeholder workshops and forming SME Working Groups with SMEs, bankers, business associations, government officials, NGOs, and other stakeholders focused on practical solutions to improve access to finance. Working groups could be formed and consensus reached on critical issues, such as basic underwriting standards, critical consulting needs, and pilot-lending programs.

There could be better use of EBI, EIOD, and lender resources to develop and deliver training. This would include working with stakeholders to determine needed SME training, developing curriculum and materials, and assisting with training delivery. Lender input is vital given the lead role they play in increasing access to finance.

Business consulting is required in addition to training and the creation of a team of consultants to support SMEs is a requirement to be successful. Banks have expressed a willingness to help fund this activity and USAID could leverage its grant program by participating with the banks to fund NGOs or other organizations that can work with SME to make them bankable.

As stated in the EBI section of the report, EBI should continue its relationship with the GSB in Madison, Wisconsin, as it provides a unique opportunity to leverage banker training. The U.S. participants at the Madison program are primarily from Regional Banks and Community Banks in the U.S. Midwest and their customer base is small- and medium-sized companies, farms, etc. They can provide Egyptian Bankers with real world experience in lending to and profiting from SME portfolios.

EBI's development of a Banking University should also be supported. Linking EBI's University with one of the Graduate Schools of Banking in the United States will provide access to courses, instructors, practitioners, and an accredited University.

Consideration to use of credit guarantees to commercial banks that extend loans to SMEs is an option that deserves study.

In addition to the above, the component lead was asked to participate with a SME group that is being established to include varied business leaders, banks, business consultants, and

attorneys. This group will screen various requests for funding and select a number of firms that will receive business consulting advice, legal advice, and other support to improve their business. The goal is to identify SMEs that have the potential to grow and provide them with the resources to support growth. USAID should consider continued participation with this group. Another program could focus on the screening of SMEs to provide the first opinion of near-term bankability.

COMPONENT C — MACROECONOMIC STABILITY

Introduction/Where We Started

The Ministry of Finance's reform agenda was active and wide ranging at the time of TAPR II mobilization. With a relatively clear vision for the short and medium term, minimal time was required to scope the role that TAPR II would play. A key factor in this rapid launch was the appointment by the Minister of Finance of a number of specialist advisors whose roles were to drive and oversee the reform agenda. TAPR II thus became both the advisory and the implementation bridge between the Minister and his advisors, and the line institutions subject to the reforms.

There were two overall goals of this component, both of which supported the MOF's aim to modernize the operational functional areas under its control. Private sector development is facilitated by a tax system that is easy to comply with, has moderate tax rates, and is administered fairly and efficiently and with certainty regarding tax liabilities. In the absence of such a system, private enterprises will be stifled in their efforts to expand, economic activity will be driven underground, and foreign investment inflows will be severely constrained. The first goal focused on modernizing the tax regime and the administrative agency that supported the GOE in establishing a broad-based, competitive tax system that maximizes private sector growth at the same time it produces adequate revenues for public investment and expenditures. Concurrent with the policy reform the component's activities also supported a comprehensive modernization of the tax administration with a view to providing the need for consistent application of the tax laws. This stems from the requirement of any market economy for a fair, transparent, and predictable tax system in order to stimulate the high levels of domestic and foreign investment required for economic growth.

The second goal focused on increasing the technical and managerial capacities within the MOF to efficiently and effectively operate its mission as the key ministry responsible for managing the fiscal and economic situation of the country. The aim of the GOE is to achieve fiscal balance through sound fiscal management of the sources and uses of public funds. The GOE was seeking to reduce the annual deficit through greater revenue sources, tight expenditure management control, and a unified treasury system in which all public

Component C Key Accomplishments

- Successful introduction of new modern Income Tax Law
- Rationalization and streamlining of the Stamp Duty Regime
- Strengthened the overall tax policy capability of the MOF
- Detailed design and delivery framework for the integration of the STD and ITD to establish the ETA
- Development and implementation of streamlined operational procedures for the ETA
- Design and implementation of a Leadership Development Program for all ETA managers
- Design and implementation of an employee Appraisal Program for the ETA
- Procurement, customization and implementation of an integrated tax solution (ITMAS)
- Implemented basic Treasury Single Account
- Supported the MOF in their PFM Reforms
- Developed the capacity of the embryonic PPP Central Unit

revenues are accounted for as well as a budget process that is open, transparent, and widely communicated to the people of Egypt. Transparency and predictability in the government's management of economic and sectoral policy in turn leads to increases in investor and consumer confidence.

All of Component C's deliverables were linked directly to USAID SO 16 through IR16.2, "Trade and Investment Facilitated." The subintermediate results for this component were "Improved tax system that will stimulate the high levels of foreign and domestic investment that are required for economic growth" and "Increased capacity of the functional work sectors within the MOF", which, in turn, leads to an increase in investor confidence.

C. 1. TAX POLICY

A well-designed and administered tax system is an important requirement for the emerging private sector. Private sector development is facilitated by a tax system that is easy to comply with, has moderate tax rates, and is administered fairly and efficiently and with certainty regarding tax liabilities. Stability, predictability, and moderate tax rates are the watchwords of a tax system to promote growth of the private sector. In the absence of such a system, private enterprises will be stifled in their efforts to expand, economic activity will be driven underground, and foreign investment inflows will be severely constrained.

Key Accomplishments

The enactment of the new Income Tax law in June 2005, which became effective from January 1, 2006, for the previous tax year, brought urgency to the tax reform agenda, and coincided neatly with TAPR II's inception. In order to prepare for the law's implementation and to receive return filing deadlines in the Spring of 2006, the first task of TAPR II was to review the regulations stemming from the new law to ensure consistency with the law and, as far as possible, with widely accepted international practice prior to their publication. A number of other concurrent tasks were completed to assist the Income Tax Department (ITD) in administering the new law; particularly challenging in view of the introduction of a self-assessment system for the first time for income tax. TAPR II assisted in the creation of taxpayer service units in all ITD district offices as well as the dissemination of material to allow taxpayers to comply more easily with their obligations under the new law. Another area of focus was the development of internal operating procedures to ensure consistent and efficient handling and processing of tax returns through a new automated system. Finally, TAPR II designed and implemented an automated audit selection system. With a very significant increase in the number of returns filed as well as a substantial revenue increase against the comparable period for 2005, the conclusion was that the introduction of the new law and regime was a great success.

Number of Filed Income Tax Declarations	
•	2004/2005: 1,862,300
•	2008/2009: 2,590,000

Other early actions on the tax policy front necessitated the delivery of a framework for a new Property Tax law and a complete review of the Stamp Tax Regime. The MOF accepted the TAPR II reform recommendations for the stamp duties and a bill was passed in 2006 which drastically cut the number and scope of such duties. Because the continued existence of stamp duties was generally linked almost entirely to their large revenue productivity and not to any underlying economic rationale, TAPR II thoroughly reviewed the collections data prior to presenting the analysis of stamp duties and the recommendations for their reform. Unfortunately, there were two limitations to these data that seriously complicated the analysis. Two large categories of collection data were lumped under 'Papers and stamps' and 'Miscellaneous stamps.' The former represented the purchase of stamps that are used by taxpayers for application against many

different Chapters of the Stamp Tax Law. It is, then, the equivalent of a “Not elsewhere classified” category of stamp duty collections. The latter were reported by the tax department to be collections from audit activities and, like the above, are “Not elsewhere classified.” As such, the TAPR II project team was unable to significantly narrow the likely chapter-by-chapter origin of these revenues. With a view to a continuing improvement to the stamp tax law, TAPR II developed a methodology for the MOF for an accurate accounting and reporting system for stamp tax receipts which correctly reflects the actual nature of the collections by category. This enabled the MOF to make an informed judgment for further reform of the system.

As a rule of thumb, some 80% of a country’s tax revenues are generated by about 5% of the total number of taxpayers. Medium-sized taxpayers account for about 15 percent of total revenues from about 25% of the total taxpaying population, while the small taxpayers generally account for less than 5% of total tax revenue. The vast majorities of these small taxpayers do not maintain accounting records and are unable to compute their tax liability under the current income tax law. Accordingly, TAPR II designed a Simplified Regime for Taxing Small Businesses, which will reduce the reporting and recordkeeping requirements for the taxpayer and, at the same time, reduce the resources necessary to control this large pool of taxpayers. Unfortunately, the connection of this regime to the small businesses development law under an article in the income tax law did not give the Ministry sufficient leeway to introduce the new simplified regime as designed. As an interim measure, a simplified accounting methodology was introduced in 2009 to relieve some of the recordkeeping burden from the smallest taxpayers. Notwithstanding, when the political will is ready to pursue this area further, the MOF does have the detailed design and draft legislative framework ready to proceed.

Currently Capital Gains are exempt from tax under the new income tax law. Given the dilution of the originally proposed provisions in the new property tax law which meant that considerable numbers of property owners continue to escape from paying any significant tax on owning a property, the Ministry is considering the introduction of a capital gains chapter into the income tax law with a view to ensuring that gains on property speculation are taxed. Accordingly, at the request of the MOF, TAPR II delivered a comprehensive report on the tax implications of introducing a tax on the capital gain of property. The report included a full assessment of the likely impact of such an introduction with supporting analysis to indicate the tax implications.

With a view to continuous improvement of the tax policy regime the MOF wants to transform the current goods and services tax (GST) into a fully-fledged Value-Added Tax (VAT). The current GST law contains features that inhibit its effective and efficient administration including: (1) the need for a significant increase of the threshold (from its current level to at least EP 300,000—EP 500,000); (2) a simplification of the rate structure, with a view to adopting a single rate in the longer term; (3) a reduction in the number of exemptions; (4) moving from a positive list of taxable services to a (limited) negative list; (5) taxation of capital goods; and (6) implementing a full credit and refund mechanism. Although a real priority for the GOE, the political capital expended on the passage of the new property tax law hampered its introduction during the life of the TAPR II project. The project did provide a detailed analysis of the draft provisions of the GST amendments including delivering specific recommendations for improvement as well as a proposal for amalgamating the appeal requirements for both GST and income tax. Several intimations by the Minister of Finance over the last year seem to have paved the way for introducing VAT in 2012.

The final policy-related product was the design of, and implementation plan for, a dedicated Tax Policy Advice Unit to be introduced in the MOF. The design included an appropriate organizational structure, scope of responsibilities, staffing requirements, training needs, and

an analysis for the need of analytical tools (databases/models) for use by the Unit. The Unit's roles and responsibilities would include:

- Developing tax policy proposals (income tax, sales tax, excise tax, property tax, and local taxes);
- Drafting of tax legislation;
- Estimating revenue and distributional impacts of the tax proposals, which are very important for the preparation of the budget; and
- Overseeing the implementation, and monitoring operation, of the tax system.

Pressure from other priorities did not permit the time to establish the Unit but it was made clear that TAPR II recommendations were fully accepted and the desire to implement the unit continues.

Potential Areas for Further Progress

The key tax policy area remains the transformation of the GST into a fully fledged VAT. It is important to ensure that sufficient analysis is conducted to permit the policymakers to make the right decisions on the key components of the law, including the threshold, rate, coverage, etc., as well as supporting the drafting and review of the VAT law and regulations. Further, assistance will be required to adapt the information technology systems and business operation procedures for the new VAT, ensuring that the ETA will be able to administer the tax during the transition. ETA must also develop and introduce targeted education campaigns to support the introduction of the VAT, and enhance its taxpayer service capabilities.

The importance of separating the tax policy and tax administration responsibilities is clear and has been accepted by the Ministry. They will, however, require some assistance and training during implementation of the tax policy advice unit, but this should only be undertaken once the MOF identifies and appoints a suitable candidate to head the unit.

C. 2. TAX ADMINISTRATION

While tax policy reforms are unquestionably important, the critical component of a successful tax reform program is the establishment of an effective, efficient, and fair tax administration. The key objective of TAPR II tax administration assistance was to assist the Egyptian Tax Departments to control, determine, and collect taxes more effectively. Two major themes underlie the need to transform the nature of the tax administration. The first is the need for increased levels of operating efficiency due to the substantial number of actual and potential taxpayers and in juxtaposition of the current budget realities. The need to collect a higher proportion of potential liabilities provides a powerful incentive to achieve increased collections efficiently within an automated, systematic framework. The effective use of an automated system, in turn, requires administrative procedures that are compatible with and benefit from an automated flow of information. The second is the need to ensure that the tax laws are consistently applied across the entire territory of Egypt. The need for consistent application of tax laws stems from the requirement of any market economy for a fair, transparent, and predictable tax system in order to stimulate the high levels of domestic and foreign investment required for economic growth.

The decision to integrate the income and sales tax departments was clear. International experience clearly shows that the continued existence of separate tax departments for GST and income tax perpetuates inefficiencies and duplication of staff, facilities, resources, and effort and is not conducive to taxpayer compliance. With two separate tax departments, taxpayers may be subject to multiple audits from the different departments, in the same year, and on occasion, at the same time. Separate collection officers, exacerbated by the absence of a single taxpayer account, may independently pursue the same taxpayer for different tax arrears. A taxpayer applying for a refund for one tax may have liabilities for another. These characteristics are neither efficient for tax administration operations, nor conducive to taxpayer compliance. The integration of domestic tax administration was viewed as a critical underpinning for the reform program and without this feature as an objective many opportunities for tax administration improvement will be lost.

The many advantages of the integrated approach to tax administration were seen as:

- A single facility for a taxpayer to register for all current tax obligations and receive a single identification number for all tax administration purposes that is recorded in a single-registration system with a common database of taxpayer identification details.
- A single approach to taxpayer services that provides all necessary information and support to meet taxpayer needs in one place, tailored according to the taxpayer segment being catered to. Specialist staff can provide expert advice to complex queries with generalist officers responding to routine issues.
- Single payment and returns processing arrangements to simplify taxpayer compliance.
- An integrated audit strategy and approach to optimize the use of audit resources, eliminating duplicated and uncoordinated audits.
- An integrated approach to debt management and collection enforcement ensuring that the taxpayer is treated as a single entity for debts, nonfiling, and offsetting of credits.

While a functional and integrated approach to tax administration leads to better utilization and deployment of resources than fragmented and outdated structures, there is also a need to recognize the different risks, requirements, and contribution to overall revenue of the various segments of the taxpayer population. It is vitally important for a tax administration to understand its client base, particularly the different segments that constitute the taxpayer population. The advantages of this approach include: (1) strengthened accountability for organizational outcomes; (2) allocation of resources based on risk to revenue; and (3) better matching of enforcement, service, and educational programs to specific types of taxpayers.

The *large taxpayers* are typically distinct legal entities. They are few in number, but often with many employees; have high turnover; are often involved in complex international transactions, perhaps through subsidiaries or related companies; may wield influence within business and government circles; and usually maintain proper books and records, but with professional accounting and legal assistance to interpret the law to their advantage. The importance of large taxpayers to revenue is clear and, if compliance for this group suddenly declines, the impact is devastating. This is why, in recognition of the importance of large taxpayers to revenue, many countries have instituted special measures for this segment, usually by establishing a large taxpayer center (LTC).

In contrast, a moderate number of *medium-sized businesses* often have less formal structures, such as sole proprietorships or partnerships; have fewer employees; moderate levels of business activity that are often cash based, but with possibly less diligent bookkeeping resulting in opportunities to under-record income and evade tax. The

demarcation between the large, medium, and small taxpayer segments can sometimes be obscure. However, in many countries the dividing lines are based on turnover and a cutoff is determined for the largest taxpayers. A cutoff point for the medium taxpayer segment is often deemed to be the GST registration threshold in view of the recordkeeping obligations for GST.

A potentially much larger segment of *small or micro-businesses* (including self-employed professionals) poses many difficulties to identify, regulate, and ensure that they contribute something to revenue that is commensurate with their size and capacity to pay. In developed countries, a large share of this group is considered to be in the informal sector. Often proper recordkeeping is nonexistent and the whereabouts of taxpayers difficult to determine. In some countries, simplified tax provisions apply to small businesses that fall in this segment, in the form of presumptive taxation, often based on the approximate turnover of the business. Ideally this should approximate and substitute for all indirect and direct tax obligations in a single obligation that is easy to comply with and simple to administer.

With more than 6 million income taxpayers in Egypt, the notion of an undifferentiated implementation of self-assessment is overwhelming. Effective reform of tax administration would, therefore, require a strong focus on taxpayer segmentation. The key goal of the administrative reforms, therefore, became the creation of a professional, well-trained staff operating in a fully automated and integrated tax administration that is organized along functional lines, based on the principle of voluntary compliance, and is able administer the tax regime fairly, efficiently, and equitably.

Key Accomplishments

In addition to providing technical assistance to the ITD with respect to the introduction of the new Income Tax law, TAPR II provided significant guidance towards the MOF's goal of integrating the ITD and the Sales Tax Department (STD) to establish the Egyptian Tax Authority (ETA). The formal decree to establish the integrated authority was issued in late-May 2006 with Mahmoud Ali, formerly-STD, named as the Commissioner. As well as providing a comprehensive strategy for the merger, TAPR II provided a road map through a number of detailed papers on most of the key integration issues including organizational design structure, HR, communications, anticorruption, change management, IT, anti-evasion, internal controls; and detailed designs and staffing for the new headquarter organization, the regions, and the district office split between large, medium, and small taxpayer centers.

The MOF accepted our approach as part of its overall tax reform strategy and determined that the integration and modernization of the ETA will take place in three phases:

- Short term (high-level design), May 2006 through September 2006
- Medium term (detailed design and planning), October 2006 through August 2007
- Long term (implementation), September 2007 — ongoing

During Phase One, TAPR II facilitated a four-day conference in Sharm el-Sheikh during which approximately 120 senior managers from both ITD and STD created the vision, mission statement, and strategic objectives which would guide the design, implementation, and operation of the integrated ETA. The design of the new organization would be developed by 14 discrete work teams, formed by managers from both the ITD and STD, covering all the functional responsibilities of the new ETA and led by a dedicated PMO, headed by Seif Coutry.

Immediately after the Sharm el-Sheikh meeting, TAPR II facilitated the recruitment and selection of the team leaders and members by preparing nominating correspondence,

criteria for nomination and selection, and participating in the screening and selection panel. These teams were created and the 90-plus members were trained by TAPR II in the structure and completion of work process reviews as well as subsequent joint training by TAPR II and college professors in change management and general management skills.

Working on a daily basis directly with the teams, TAPR II advisors, as well as working on other tasks, developed comprehensive work plans for Phase Two of the integration. Completion of the detailed design in Phase Two coincided with the replacement of Mahmoud Ali as Commissioner with Deputy Minister Ashraf Al Arabi in August 2007. While this change certainly impacted the timing on implementation of the new Authority, there is no doubt that his philosophy matched that of TAPR II in that the integration was not just about a merger and change of name, but the opportunity for a fundamental modernization of all aspects of the tax administration — structural, operational, and human capital.

TAPR II's approach for this work was to interact on a daily basis with the dedicated PMO manager and teams from ETA. The team drafted a very large number of technical documents to support the reform as well as formal and informal seminars and trainings on a vast number of subjects. This close interaction and cooperation allowed us to significantly enhance the capacity of a large number of ETA staff and senior managers who, in turn, became advocates for modernization throughout the organization. Thirty-five senior tax officials also participated in very successful study tours to Latvia, Czech Republic, Slovenia, Poland, and Netherlands/Denmark. These tours gave officials a practical insight to tax administrations that had recently undertaken major restructuring and modernization with a view to bringing the lessons learned to the integration process in Egypt.

Finalization of the integration across all work streams is a multiyear activity, particularly given the staffing and political sensitivities under the current civil service system. The change in Commissioner to Ahmed Rifaat earlier this year will also, inevitably, add further delay as he and his new senior management teams need to be educated in the integration design philosophy. Notwithstanding, TAPR II's legacy for ETA is a large body of senior managers who appreciate the need for change and have been trained in, and fully understand, the principles of modern tax administration.

Following a request by the Minister and the approval of USAID, TAPR II released a RFP for an automated Integrated Tax Management Administration System (ITMAS) in November 2006 and received two proposals which were evaluated (using a methodology designed by the Project) by joint committees from TAPR II and both ETA IT and functional staff during January. One vendor (Raya/Bull) was deemed technically compliant and initial negotiations commenced on their financial proposal during which the vendor reduced the price by more than a third. The vendor subsequently provided a detailed presentation of their system to the evaluation committees, including detailed question and answer sessions and the contract was awarded and signed in early September 2007.

TAPR II managed the delivery of the new ITMAS, working on a daily basis with the contractors, Raya/Bull, and counterparts from the ETA IT departments. This implementation followed three main phases:

- System Technical Specifications — Developed high-level business requirements and drafted detailed scoping documents which were agreed by ETA and signed-off by the contractor. Given the limited experience within the ETA on integrated tax systems, this took much longer than anticipated, but nonetheless provided an excellent learning experience for all those tax staff involved in the process.

- Design, Development, Testing, and Pilot Implementation Group One — Customized the software for the key tax administration functions of taxpayer registration, return and payment processing, and revenue accounting. Following testing, these core modules were implemented and piloted in the LTC; and subsequently extended to the Medium Taxpayer Center (MTC).
- Design, Development, Testing, and Pilot Implementation Groups Two and Three — Customized the software for the more complex functional modules, such as audit, objection/appeals, and enforcement. Following testing, these modules were implemented and piloted at the LTC, MTC, and subsequently rolled out to a further two new integrated tax centers in Port Said and Ismailia.

Overall, the ITMAS project made considerable progress with the objective to finalize product delivery within the defined schedule. However, the complexity of modules coupled with the effort required for their integration into the system meant that delays were inevitable and the project ran a little more than a year against the original time frame. Given such a complex development and implementation project, it is difficult to allocate the delay to any specific area, or indeed project stakeholder, and many factors hindered meeting the set deadlines. Some of the main factors for delay were:

- The complexity of the project and the large number of individual, but inter-related, activities;
- The expanded timescale for the testing and acceptance process;
- The time required to prepare the pilot sites, especially data cleaning and preparation;
- The time spent by the end users at LTC and MTC to test, accept, and become fully prepared to use the new system and related business procedures;
- The time required to prepare sites to introduce the new system;
- The complexity of the Group Two modules and the extended time required by the testing teams to validate the released versions; and
- The extended time required by the ETA data cleansing team to prepare data for the migration process.

Notwithstanding, ETA now has an operational integrated tax administration system that fully meets its business needs and supports day-to-day operations. The commitment from ETA staff was exceptional, providing a large number staff wholly dedicated to the program. Working with TAPR II advisors and the contractor staff on a daily basis, as well as the provision of classroom training in a number of key technical areas, has ensured a large cadre of dedicated professionals within ETA to maintain and manage the new system for the future.

Further, ETA and the contractor (RAYA/Bull) have signed an MOU to enter into a contract to provide continued support for the system for, initially, one year post-TAPR II. Although there is much work to be done to roll out the system nationally, this does give some comfort that ITMAS will be sustainable.

In addition, throughout the term we maintained a very close relationship with the International Monetary Fund (IMF) Fiscal Affairs Department (FAD) from Washington as well as their Middle East Regional Technical Assistance Center (METAC) in Lebanon. The IMF was full of praise for the support provided through TAPR II. Project advisors also interacted and coordinated with a number of bilateral donors — Spain and Netherlands — as well as the Organization for Economic Co-operation and Development and World Bank.

Potential Areas for Further Progress

As noted above, the complete modernization of the ETA is a multiyear task and there is still much to be done. To assist in driving the momentum as well as ensuring that the agreed program remains consistent, it would be appropriate to provide some ongoing, intermittent assistance on the functional front to act as a guide to ETA.

Given the Minister's pronouncements that VAT will be introduced in 2012, it is highly recommended that support be provided to both the MOF on the policy side as well as ETA on the administrative side to assist in the final development of the law and its subsequent implementation. Although many within ETA perceive there will be little change from the current GST, it is clear that transition to a fully fledged VAT is a relatively significant undertaking and poor legislation and/or implementation/administration of the new law will prove costly to the GOE.

Total Tax Revenue
• 2004/2005: 62,976 million
• 2008/2009: 163,181 million

While there is some comfort that ETA will conclude a service/maintenance agreement with RAYA/Bull for ongoing support of ITMAS, future rollout of the system remains a very challenging undertaking. Indeed, it will likely take considerable guidance for ETA just to be able to use the full functionalities and capabilities of the system to its full extent. To ensure the sustainability of ITMAS, it is highly recommended that a full-time IT advisor be made available to ETA for at least one full year post-TAPR II.

C. 3. TREASURY AND BUDGET

In line with the recommendations of the IMF FAD missions of 2004 and 2005, the Minister of Finance decided to implement the Treasury Single Account (TSA) system, consistent with international best practices, for improved management of government cash resources. The new TSA system was to replace the legacy system of banking operations of the government budget execution by which government financial transactions were processed through several thousand bank accounts maintained at the CBE and, further, several thousands of accounts at commercial banks (approximately 48,000 bank accounts in total).

To further improve the capacity of the MOF in helping to manage the public finances of Egypt and to achieve greater transparency and oversight in the overall budget process, the MOF also considered a number of associated improvements to the budget elaboration, preparation, and monitoring process. The Ministry had some success in improving the budget process over recent years as well as increasing the availability of information on the budget presented to, and approved by, the National Assembly. Significant information was also gathered and distributed on the budget out-turn. Notwithstanding, Egypt's ranking at 105th in the 2007 Transparency listing was clearly disappointing after such progress and it was clear that much could be done to improve their position.

A budget process is complex in all countries. This is especially true in Egypt where the State's General Budget framework includes several levels of government and a large number of transactions with economic authorities outside the budget and public enterprises. The MOF has adopted the IMF Government Financial Statistics Manual classifications for Classification of Functions of Government and General Financial Statistics for preparation and presentation of the government's budget. This is a move in the right direction.

However, little attention had been given to presenting the budget in a format that clearly reflects the administrative accountability framework as it is very difficult, indeed almost impossible, to determine the complete budget of each ministry, governorate, or public service authority without significant manipulation of the data. In Egypt, the MOF is

responsible to the People's Assembly for the execution of the whole of the State's General Budget. Line ministers are responsible for neither the economical execution of their part of the budget nor the agencies under their authority. This is because each ministry, governorate, and public service authority is segmented into more than one budget authority which means the MOF must negotiate with more than 650 budget authorities. Further, the budget presented to parliament is very detailed, which severely limits transparency.

The MOF is moving the current budget framework from a highly technical approach to a more policy-orientated approach. This complements reform of the public sector and the privatization of public enterprises. A policy-orientated approach will require a much improved integration between investment and current spending than is available today. These two parts of the budget are currently prepared by two different ministries, the Ministry of Economic Development, and the MOF and are subsequently integrated during the whole of the budget preparation. There is a similar problem in the governorates (local government administrations) where the general directorates decide the investment projects and the directorates' current spending are supervised by the central ministries.

The present budget law, enacted in 1973 with subsequent amendments in 1979, 1980, and 2005, reflects the present budget framework. As such, there is a need to draft a new law to take into consideration the proposed changes to the budget framework reflected in both the amendments to the constitution as well as the ongoing budget reform. A new comprehensive (organic) budget law should replace existing laws concerning budget preparation, budget execution, and the accounting and reporting framework, including laws pertaining to "special funds."

Finally, the government's decentralization initiative is a major reform item, which requires special attention. Particular attention must be given to ensure a smooth transition to a decentralized accountability framework whereby budget authorities are provided more control and flexibility over the execution of their budget without the loss of effective control of the budget at the macro level. Lessons learnt from other jurisdictions where decentralization resulted in increasing inequality, the empowering of local elites, political instability, and general ineffectiveness need to be considered. Decentralization should be encompassed as part of the reform of the overall budget framework and given the legal basis by inclusion of specific articles in the Financial Management Accountability Law.

The MOF is responsible for providing the legal instruments, policy, procedures, and systems to enable for the efficient transition of accountability and responsibility to lower levels of government without the loss of effective fiscal discipline, operational efficiency, and transparency while improving the equitable allocation of the budget over all jurisdictions. It must also ensure that a comprehensive budget planning, preparation, and execution system is implemented. The system must uphold best practice principles, including the adoption of international accounting standards and a Government Financial Management Information System (GFMS). There are significant risks attached to a decentralized framework that does not provide for the minimization of misuse of public funds. The decentralization initiative needs to be comprehensive and focus on all levels of government as a whole.

Key Accomplishments

In preparation for the TSA implementation, consistent with the government's decision, TAPR II analyzed the existing banking and payment systems used in the budget execution of the GOE and presented the findings to the MOF. The IMF FAD mission in January 2006, using our analyses, presented to the Minister the report on the findings, the recommended reforms, and a high-level project plan for TSA implementation.

TAPR II advisors developed a comprehensive TSA implementation plan that included a strategy to overcome the inefficiencies of existing banking arrangements leading to inefficient management of cash. The implementation strategy was consistent with the recommendations of the IMF and the TSA conceptual design as detailed in the TAPR II report of February 2006. This TSA implementation plan included:

- Government bank accounts to be held at the CBE;
- Bank accounts that remain outside the CBE will be operated as zero balance accounts;
- Reduction in number of bank accounts (current estimate 48,000 bank accounts);
- Comprehensive CoA to support the recording of double entry financial transactions in the Oracle general ledger;
- Central unified general ledger;
- MOU between MOF and CBE; and
- CFO framework to facilitate the recording of government financial transactions.

Despite this, TSA Implementation Strategy, endorsed by both the Minister and the IMF, the MOF spent a good portion of the first project year debating the fundamental concepts previously agreed, including the CoAs and CFO concept.

TAPR II attempted to alleviate the nervousness of replacing the bank account structure with a modern accounting and reporting framework by holding many informal workshops and meetings explaining that the new system would continue to support the information needs of the MOF. However, it was not until late April 2007 when the Steering Committee met that the MOF started to make real progress when the functional sector heads were able to contribute to the reform process and not be constrained by the TSA Task Force that had become bogged down in unnecessary technical debate. The sector heads championed the reforms and TAPR II was able to provide assistance to complete the CoAs and accounting and reporting procedures.

The overarching objective of the project in year three was to transition the MOF, and broader GOE, to a modern financial management framework based on international standards that supported the effective, efficient, and transparent use of government resources. However, during the first half of year three, the scope of work for the treasury and budget reform was significantly reduced, cooperatively between the Project and the USAID Activity Manager, primarily because of the limited progress achieved at the MOF. Unfortunately, too little focus had been on implementing the reforms and too much effort was laid on defending the status quo. As such, the future success of the Public Financial Management (PFM) reforms will depend on a shift in focus from defense to action and results oriented. Our activity in this area was suspended in March 2008 by USAID and focused solely on the development of a new organic Budget Law.

Despite our restricted involvement, TAPR II was able to provide assistance in the following key areas:

- Revised the CoA to meet changed requirements as well as mapped and tested the new CoA configuration. Also, prepared a CoA overview manual that explained the purpose and use of the new CoA and provided recommendations to establish a CoA coordination unit, including processes and procedures to ensure that the integrity of the CoA is maintained.

- Provided the MOF with Oracle system configuration recommendations to support the new CoAs and accounting and reporting framework for the balancing segment, end-of-year roll-over requirements, and consolidation requirements. These recommendations are included in the CoA overview manual.
- Delivered an intensive five-day Train-the-Trainer program to approximately 30 MOF staff. These trainers are now well equipped to provide training on the new accounting and reporting framework to the accounting units of the government. We assisted the MOF in developing the training program schedule logistics for financial controllers and accounting units by analyzing locations and number of participants in each location. Also, developed both a detailed trainer manual and a participant manual.
- Designed a detailed organizational structure for the new Treasury Department, including roles, responsibilities, and key job descriptions. Also, developed an organizational structure for the wider Ministry.
- Reviewed the debt management function and structure within the Ministry and drafted a detailed report containing recommendations on: (1) definition of the operational functions of the debt management process, (2) operational structure, (3) mapping of the information flows, (4) control procedures, (5) accounting procedures, and (6) an introduction to DMFS.
- Reviewed the grant management function and structure within the Ministry and drafted a detailed report containing recommendations on: (1) definition of the operational functions of the debt management process, (2) operational structure, (3) mapping of the information flows, (4) control procedures, (5) proper recording of transactions for reporting purposes, (6) accounting procedures, and (7) an introduction to computerization of the grant management process.
- Provided detailed recommendations for improving the budget preparation and budget presentation process.
- At the request of USAID, prepared a report on the PFM reform strategy and progress in the MOF. To augment this report, also prepared a comprehensive MOF PFM five-year strategic plan. These documents were issued to MOF counterparts and formally presented to the Minister in the early part of 2008.
- Developed a comprehensive GFMS gap analysis as well as a detailed conceptual design for implementing a GFMS.
- Submitted to the MOF Steering Committee a recommended Project Management Office structure that will govern and monitor the PFM reform process. This structure was endorsed by the Minister and was formally approved through the issue of a ministerial decree. Draft action plans for each committee of the PMO were also prepared and delivered.
- Submitted a first draft outline of the Financial Management and Accountability Law (Organic Budget Law) and held a presentation to Sector Heads. Informal training sessions were also conducted to assist the MOF counterparts to understand the legal and operational requirements of a modern comprehensive PFM framework. The objectives of the new law were also presented to Mrs. Amina Ghanem and Dr. Lobna in support of the decentralization/de-concentration initiative of the government.
- Delivered a final draft of the complete Financial Management and Accountability Law (Organic Budget Law), as well as explanatory notes in mid-April 2008.

The treasury and budget area was a particularly challenging part of the component. There is no doubt that TAPR II delivered significant value added for the Ministry; indeed, this was corroborated by the IMF, METAC, and the World Bank, who all endorsed the approach taken by the project and the quality and relevance of the material delivered. Failure to ensure sustainable wider reform stemmed from two key factors.

The first factor was the lack of a committed and dedicated senior-level counterpart from the Ministry, who had both a good technical knowledge of the current business processes combined with an openness to change. Although there was a clear commitment to reform from the Minister himself, there was no other dedicated project manager from within the Ministry hierarchy who had the delegated authority to manage both the technical improvements and the change process itself. Without this dedicated and staffed governance structure, there were too many people within the Ministry who were either not interested or did not have the capacity to follow through with the reforms.

The second factor was an underestimation from within the Ministry on the breadth of the reforms necessary for modernization of the PFM system to work. Piecemeal reform is difficult given the inter-relatedness of the tasks undertaken. For example, if you close bank accounts to create the TSA you need to introduce a financial accounting system to manage future expenditure as under the legacy system the banks maintained the accounting system on behalf of the Ministry. As such, it was clear that the Ministry did not have the internal capacity to manage reform across a number of concurrent areas.

The TAPR II legacy to the Ministry has been a much better understanding of modernization across the entire PFM arena. This has not only been achieved through considerable interaction and discussion, but also a wealth of documentary reports which will guide them through the process when they feel able to do so.

Potential Areas for Further Progress

Assuming EDI's continuing mandate to support fiscal decentralization, the central MOF will require assistance to create an enabling PFM environment to support the decentralization strategy. This will include the development of national PFM systems that are efficient, transparent, and accountable to support a system of devolved budgeting.

Despite being part of the cash transfer benchmark, the Ministry still needs to finalize a new comprehensive (organic) budget law that should replace existing laws concerning budget preparation, budget execution, and the accounting and reporting framework, including laws pertaining to "special funds." The new budget law should be an inclusive financial management law covering all aspects of the budget framework and budget processes, providing the necessary changes in budgeting required in support of the decentralization efforts.

Despite early success in establishing a TSA, the reforms lost momentum since early 2008 and many government bank accounts are still not covered by the TSA. Assistance is required across a number of areas, such as supporting the establishment of a consolidated treasury department in the MOF and a network of CFOs at both central and local government levels, which still have yet to be implemented.

There is much still to do within the Ministry, but given historic performance on the use of USAID (and IMF) technical assistance, it is clear that any future technical assistance must be conditional upon the Ministry being able to enter into a true partnership for reform through the establishment of a dedicated governance structure to manage the reforms.

C. 4. PUBLIC PRIVATE PARTNERSHIPS

One of the complementary means to the reform effort under consideration by the GOE was launching a national initiative of service provision through Public Private Partnerships (PPPs). A first step in that direction was the creation of a Central PPP Unit (the “Central PPP Unit”) within the MOF, reporting directly to the Minister. The Central PPP Unit was mandated with coordinating the PPP national program within all ministries as well as other public entities. Launched in June 2006, the Central PPP Unit was at a formative stage, minimally staffed with a director and a public relations/government relations manager.

Key Accomplishments

As the Central PPP Unit continued to increase its role to be fully engaged in developing, structuring, tendering and awarding PPP pilot projects, TAPR II led numerous capacity-building initiatives to enable the Central PPP Unit develop its organizational and institutional capacity.

- Designed and executed a successful 5-day training workshop in Cairo in May 2007 entitled, “PPP Workshop” to introduce the concept of PPP to the Egyptian community. Sponsored by the Central PPP Unit within the MOF, the PPP Workshop was attended by approximately 80 participants, primarily from line ministries (GAEB, MOH, Ministry of Irrigation, Ministry of Housing and Utilities, EGAS/Ministry of Petroleum, and Ministry of Transportation) as well as attendees representing the financial community, legal community, service providers, and USAID. The 5-day workshop was divided into 11 specific modules, each detailing a specific substantive process, procedure, or policy with respect to PPP.
- Developed an extensive toolkit to standardize PPP practice across government and enable line ministries to develop PPP proposals to be screened and approved by the Central PPP Unit. Advisors completed the drafting of numerous template documents and sections of the toolkit including the PPP suitability checklist, concept paper, economic appraisal, business case, and financial model users guide. In addition, extensive project flowcharts were developed to assist the Central PPP Unit in screening, evaluation, selection and monitoring process of a PPP transaction.
- Finalized the value for money (VfM) financial model users’ guide which provides users of the VfM PPP financial model with step-by-step instructions on using four separate workbooks that comprise the financial model. In particular, it explains the model’s purpose and guidelines, the model structure, the data/input required entered into the model, how calculations work, determines the public sector comparator (PSC) of a PPP project and sets assumptions, options, and sensitivities within the model. This guide was developed to accommodate financial models of various prospective PPP projects and was intended to be used in conjunction with a PPP project’s financial model.
- Facilitated a very successful Press Club event for the Central PPP Unit to develop understanding amongst economic journalists on the concept of PPP and to ensure that journalists are clear on the benefits of the PPP initiative.
- Issued, evaluated, and subsequently awarded a tender to design and implement a Web site for the Central PPP Unit. The Web site is fully operational and accessible to the public and contains a wealth of information on all past, current, and potential future projects. Central PPP Unit Web site — <http://pppcentralunit.MOF.gov.eg>. An RFP was also issued, evaluated, and awarded to DLA Matouk, a local Egyptian firm, for the provision of legal advisory services to the Central PPP Unit.

- Developed and presented a workshop on “Tender Evaluation” for 30 staff from GAEB as well as staff from the Central PPP Unit. This timely workshop was delivered to ensure the staff from GAEB was able to properly evaluate the tenders received on the first schools project.
- Drafted and delivered a document on the role of the MOI in PPP process for Egypt and how it would interact with the Central PPP Unit at the MOF.
- Initiated a formal capacity-building program with the satellite PPP unit of the Ministry of Transportation. This activity was coordinated with the MOF Central PPP Unit and is further described in the annual report for component A: Support to the Ministry of Transportation.
- Organized and participated actively in the USAID-sponsored Infrastructure PPP Workshop in Ain Sokhna, with extensive involvement and participation of the Central PPP Unit. The Workshop included government counterparts from the MOF Central PPP Unit, line ministry satellite PPP units, and other entities engaged in PPP, as well as international representatives. The two-day workshop emphasized case studies of donor-funded PPP projects and approaches to making PPP sustainable and impactful for host-country governments. Also, participated in a PPP awareness roundtable held at CU where several presentations were delivered on PPP and lively discussion was held with the students and journalists in attendance.
- Supported the participation of five GOE counterparts from the MOF and the Ministry of Transportation in a USAID-sponsored infrastructure and PPP workshop in Washington. In addition to logistical support, TAPR II assisted in the preparation of presentations on Egypt’s PPP programs that four of the counterparts delivered during the workshop. In addition to continued knowledge building for our counterparts, their active participation and sharing of experience during the workshop was appreciated by the diverse audience in attendance.
- Submitted draft PPP law to the Parliamentary Assembly and passed in 2009. This important piece of legislation will streamline and improve the legal enabling environment for PPP, shortening the length of time required to close transactions, a key requirement if PPP is to be successful in Egypt.
- Provided specific transaction advisory support to the Ministry of Transportation for its Rail Stations PPP Project and the Cairo-Alex Toll Road Project. Advisors reviewed existing documentation, participated in discussions, and delivered a technical assistance note covering specific issues for these transactions.

Potential Areas for Further Progress

The Central PPP Unit within the MOF is now a sustainable operational unit with a number of highly trained staff. Although there has been a considerable turnover of staff since early interventions, the backbone of the Central PPP Unit remains intact and it is able to operate effectively.

Any further technical assistance should be directed towards specific PPP-type transactions similar to the Cairo University International Branch (CUIB) for which assistance was provided under Component E of TAPR II.

C. 5. OTHER MOF ACTIVITIES

Key Accomplishments

Working in close collaboration with the World Bank (WB) who completed its report and recommendations on both mandatory private pensions and the regulation of the private sector, TAPR II completed the first draft of a **public pensions' law**, which was submitted to the Ministers of Finance and Investment as well as the Prime Minister, concurrent with the WB policy report. After discussion with the Ministers, their advisors and EISA, TAPR II amended the first draft as well as incorporating new provisions relating to private pensions. TAPR II advisors continued to work with a formal technical committee under Hisham Tawfik to perfect the draft for submission to parliament. The new Pension Law was formally enacted in June 2010.

TAPR II also completed an assessment of the **information technology capabilities of the two pension funds**, which the MOF is using to guide their technical requirements for reform of the pension administration system.

TAPR II advisors reviewed the MOF **debt management strategy** to examine the structure of the Egyptian bond market and provided suggestions for improving access to the primary market, and liquidity in the secondary market. The TAPR II report with recommendations presented a plan of action to assist the MOF (and CMA, CBE and Ministry for Central Clearing, Depository and Registry (MCDR) in stimulating the secondary government debt market and to monitor and manage more effectively domestic debt. During a later assignment, advisors developed and delivered a design for an institutionalized Debt Management Unit within the Ministry. Work in this area was completed in collaboration with the intermittent U.S. Treasury Debt Advisor.

As part of TAPR II efforts to upgrade the MOF **revenue forecasting models**, a static micro-simulation model for income tax was completed. TAPR II advisors obtained a full extract of the data warehouse of natural and legal person tax returns for 2005, developed methodologies for preparing and cleaning the data and for imputing missing data, developed forecasts for the datasets of natural and legal person tax returns, and provided additional training to the Macro Fiscal Unit (MFU) within the MOF, the ITD, and the STD on the use of the micro-simulation model and on dynamic modeling. As part of delivery, advisors also provided documents on the methodology for preparing databases, provided a document on the steps to using and updating the model forecast and to perform tax policy simulations and delivered the installation CDs with working versions of the Egypt micro-simulation models and forecasts. Finally, we designed and delivered a prototype for a dynamic model to be used in the design of a dynamic and sales tax revenue estimation model for Egypt. The project also delivered documentation to the MFU and the Economic Analysis Central Department (ETA), outlining specific methodologies to be used for forecasting direct tax baseline revenues.

TAPR II **procured training for MFU** staff to (1) be trained by Oxford Economics on their macroeconomic model of the Egyptian economy and (2) for MFU staff to attend Oxford to receive in-depth training on the maintenance and upgrade of the model.

At the request of Basel El Hini, project advisors worked closely with the MOF to investigate the viability of creating a **Public Enterprise (PE) Monitoring Unit (MU)** within the MOF and a methodology to monitor the performance of these enterprises. In late 2006, Mr. El Hini obtained approval from Minister to move forward with initial steps to form such a MU within the MOF.

Subsequently, in close collaboration with the MOF, TAPR II created a project plan with the goal of creating an initial performance measurement system (PMS) for a pilot set of five public enterprises (later increased to six as one PE volunteered for inclusion in the project). The two key goals of this project are to test the feasibility of creating a PMS to better monitor the government ownership of Egyptian enterprises and to outline options for improving the ownership function and monitoring practices of the Egyptian government for public enterprises.

The project design included the following phases and the delivery of a final report:

1. Design a Corporate Governance Rating Index for the PMS
2. Design a Performance Measurement System (PMS)
3. Beta-testing the PMS on three to six pilot Public Enterprises

The Final Report delivered both a refined PMS and CGRI, as well as final recommendations on improving MOF representation on board and general assemblies and recommendations on improving the Egyptian government's performance of its ownership function (i.e., the exercise of state ownership rights).

Besides achieving the goals/activities of the project, notable project accomplishments included formalizing a working group that can potentially form the basis for an inter-ministry group or committee committed to improving the governance of Egyptian PEs.

Additionally, the Project spearheaded and coordinated MOF membership into the International Network of Government Ownership Agencies (INGOA). The Project Team worked with USAID to sponsor both Mr. Basel El Hini and Ms. Shereen Mishriky to attend an INGOA conference in London in September 2007.

The Project designed and delivered a **Study Tour to the USA** for five senior-level participants from the MOF to examine the legal and parliamentary roles of the federal government.

Potential Areas for Further Progress

- Two key areas of the MOF that warrant further assistance are the government procurement area and internal audit. The General Agency for Government Services is a separate agency, subordinate to the MOF, which both sets the policy for government procurement, as well as procures centrally for the whole of government for a number of specific goods/services. Given the importance of this area, and with a view to improve the transparency of the process, the following key areas of assistance are warranted:

The need to develop National Procurement Guidelines as an interpretation of the law and executive regulations. They would be mandatory for all ministries and state-controlled entities.

- The need to develop standard bidding and contract documents.
- Standard documentation to develop and publish Public Service Standards (PSS).
- Development and delivery of procurement training for all relevant staff.
- Development of a program to increase the participation of SMEs in the procurement process.

The second key area is the development of an independent internal audit capacity within the MOF. This would involve the design of an appropriate organizational structure and staffing profile and subsequent development of operational processes and procedures for the Central PPP Unit. The capacity of the Central PPP Unit could be developed through formal training, as well as ad hoc workshops on relevant subjects.

COMPONENT D — ENABLING POLICY ENVIRONMENT FOR BUSINESS

Introduction/Where We Started

The Scope of Work for Component D was called to assist Egyptian programs in addressing microeconomic or sectoral impediments to business development, such as outmoded commercial laws. The only tasks specifically identified for Component D were “D1. Assistance for the Law Commission,” and “D2. Industrial Promotion Policy.” Very early in the project’s first year, the Industrial Promotion Policy task was moved to Component E and is reported under that Component. In December 2006, Component D activities were expanded to include support for intellectual property rights protection and assistance for two newly created governmental entities, the Egyptian Competition Authority (ECA) and Consumer Protection Agency (CPA).

Component D began operations in March 2006 with the arrival of the Team Leader, Karen Russell. Component D’s work during the first year of the project primarily focused on assistance to the National Law Commission. Jaleen Moroney assumed Component leadership in December 2006 when the USAID Intellectual Property Rights Assistance (IPRA) project closed after completing its deliverables. Its ongoing activities were to be implemented under TAPR II.

Within about two months of IPRA’s merger into TAPR II, the Ministry of Justice (MOJ) asked for continued assistance in training of judges who were hearing commercial cases and would likely to serve on future economic courts, which the GOE hoped to create. Component D responded quickly to this request to provide training for judges in cooperation with the Administration of Justice Support II project (AOJS II). The Economic Courts Law was in draft form at that time and was subsequently enacted by the Peoples’ Assembly in June 2008. Also, at the request of the GOE, a final activity was added in the summer of 2008. This activity was to assist the GAFI in the creation of an Alternative Dispute Resolution Center to mediate shareholder commercial disputes.

Component D Key Accomplishments

- Economic courts decide 98% of criminal cases and 95% of civil cases within one year.
- Egypt ratified and implements Madrid Protocol.
- Patent Office designated as Patent Cooperation Treaty International Search and Examination Authority – one of only 17 worldwide.
- GAFI Alternate Dispute Resolution Center created and mediating commercial cases.
- Egyptian Competition Authority actively bringing cases.
- Consumer Protection Agency actively resolving consumer complaints and improving business practices.
- Project-developed procedures manuals in use in CPA, ECA, and all intellectual property offices.
- Training delivered for all sitting judges on economic court.

TAPR II Commercial Law reform work consisted of three tasks: 1) Provide assistance to the National Law Commission; 2) Assist ministries with drafting new laws and regulations and amendments to existing laws and regulations, particularly the Ministry of Trade and Industry (MTI); and 3) Provide training and materials for judges.

D. 1. COMMERCIAL LAW REFORM

USAID assisted in the creation of a National Law Commission (NLC) about a year prior to TAPR II. The Commission was to provide a systematic approach to the drafting and revision of commercial laws in Egypt with the goal of making them more investor friendly. The Commission operated under an Implementation Letter (IL) with funding from USAID, and TAPR II was expected to support efforts by the newly established GOE Law Commission and other Egyptian agencies collaborating with the Commission in a program to review Egypt's Commercial Code and other commercial laws, and make appropriate changes in the laws. Specific areas for technical assistance included development of an implementation plan and work plan, assistance as required on legislative drafting, facilitating stakeholder participation, and assisting in developing procedures to promote stakeholder input, institutional development assistance, and assistance with commodities. The project provided assistance as directed in all of these areas.

TAPR II worked with the newly created NLC for approximately 30 months. Although the NLC had been founded about a year before the beginning of TAPR II, significant start-up assistance was needed. TAPR II assisted with equipment procurement and proposal evaluations. It also provided substantial organizational development assistance to the NLC. In particular, Component D developed an action plan and an organizational development plan that included steps to develop a process for identifying laws that should be targeted for reform and a process for research, drafting, and knowledge management. The Component also assisted in the creation of a library of the work both created and collected through the work of the NLC and its committees.

Other institutional development work included making staffing recommendations, preparing job descriptions, interviewing potential staff and providing training for personnel. To promote stakeholder involvement, TAPR II assisted with a grand opening event, procured, and developed a Web site for the NLC, and helped draft the NLC brochure.

The NLC Board of Directors assigned bankruptcy reform as its first priority. TAPR II worked closely with the NLC on revising Egypt's bankruptcy law (a portion of the Trade Law). It developed a bankruptcy action plan; provided training for judges on international bankruptcy norms; wrote an assessment of Egypt's bankruptcy provisions and worked with one of the Bankruptcy subcommittees on revising provisions of the existing law. It also provided comparative law materials and translated French bankruptcy law into Arabic at the request of Committee members. Further, TAPR II brought out a U.S. federal bankruptcy judge, an internationally acclaimed bankruptcy expert, to provide training on best international practice on bankruptcy, to work on amendments with the Bankruptcy Subcommittee, and to write a bankruptcy assessment report.

Despite USAID's support and the extensive efforts made by TAPR II, the results of assistance to NLC did not yield the desired outcomes. USAID ended its assistance to the NLC in the spring of 2008. NLC was unable to capitalize on the assistance provided for several reasons:

- The decree creating the NLC did not adequately delineate its responsibilities, particularly in relation to MOJ and other ministries drafting commercial legislation. The fact that NLC was independent of MOJ and was tasked with responsibilities that overlapped with the MOJ, presented serious jurisdictional conflicts.

- Despite TAPR II urging, the NLC unfortunately hired no senior legal advisors or other personnel capable of assisting in legislative drafting, participating in meaningful substantive discussions with committee members, preparing meeting agendas, or preparing draft legal language after meetings for considerations by committee members.
- The NLC had no system for tracking laws or amendments being put forward by various ministries or ensuring that legislative action did not introduce conflicting requirements.

The Component continued its legislative reform program by working directly with the relevant ministries. The project worked with Counselor Hesham Ragab, the Legal Advisor to MTI on amendments to the Intellectual Property Law, Trade Names Law, Commercial Registry Law, and the creation of legal framework for regulating franchises. Assistance was also provided to the MOI (MOI) of the Investment Law and the Companies Law.

Accomplishments

The NLC stimulated substantial and substantive discussions on bankruptcy reform. Existing bankruptcy provisions of Egypt's Trade Law are outdated and punitive. Work on this law was suspended for some time because of the worldwide economic recession, according to Counselor Hesham Ragab. The MOJ recently reinitiated work on this law. Dr. Hassan Bassiouni, Assistant Minister of Justice, stated that the TAPR II reports, summaries of discussions, and materials generated are currently used by the Ministry of Justice Committee working to amend the bankruptcy law. TAPR II assistance elucidated issues and helped bring stakeholders, including businesspersons, into the debate on the issues. It is expected that a revised law may be finalized soon.

Potential Areas for Further Progress

Egypt still needs to develop a transparent, systematic means of revising and drafting commercial laws and evaluating their likely impact through regulatory impact analysis (RIA). Laws are often poorly drafted without adequate consultation or review by stakeholders. Courses in legislative drafted should be developed and potential drafters should participate in such training.

D. 2. SUPPORT FOR DEVELOPMENT OF ECONOMIC COURTS

The private sector looks to the judicial system to create an orderly legal environment in which to do business. Business dealings need certainty, predictability, and enforcement of agreements. Unfortunately, commercial cases in Egypt often languish for years in an overburdened court system. Egypt was consistently ranked very poorly by the World Bank in enforcement of contracts. The 2008 *Ease of Doing Business Report* ranked Egypt 148 out of 183 countries in the enforcement of contracts.

In an effort to improve the timeliness, consistency, predictability, and affordability of judicial decisions on commercial cases, the MOJ proposed the creation of economic courts to handle commercial cases. It approached USAID in 2007 for assistance. In 2007 and 2008, TAPR II teamed with the Administration of Justice Support II (AOJS II) program to provide specialized training and reference materials for judges who were hearing economic cases and were likely to be appointed to the economic courts once created. In April 2008, the People's Assembly enacted Law No. 120 for the year 2008 establishing economic courts. The courts began operation in October 2008 and were given jurisdiction over 17 criminal laws and 13 civil laws.

Accomplishments

TAPR II provided assistance to the newly created economic courts through the training of judges and counselors both prior to the operation of the courts and after the courts began functioning. In 2007 and 2008, TAPR II worked closely with MOJ and AOJS II to provide training for judges who were serving on economic panels and likely to become economic court judges once the law was enacted. A program of eight three-day courses was developed. Each course was offered twice to accommodate the judges' court schedules. At the request of the Ministry, judges from around the country were brought to Cairo. This ensured that all judges had the same training and reference materials to improve the accuracy and consistency of judgments. Both local and foreign experts provided instruction. A total of 142 judges and 59 counselors received this training. In 2008, the project provided training to an additional group of 40 judges and 30 appeals court judges on a range of commercial topics identified by MOJ.

In 2010, TAPR II offered a second training program consisting of five two-day courses on commercial topics. Training was provided to all 209 judges of the economic court, including 81 counselors who hear appeals cases, 96 judges and presidents of court, and 32 preparatory judges. To accommodate judicial scheduling, all courses were offered twice. Reference books were also provided to the judges and the eight economic courts located throughout the country.

In 2010, the project provided three two-day training programs for 80 prosecutors who deal with economic cases on intellectual property. Prosecutors reported that the training had changed their understanding of the intellectual property law and indicated that they would change their approach to these cases.



The creation of the economic courts has significantly decreased the length of time to resolve commercial disputes in Egypt. Before 2008, cases were averaging three to eight years in court. In the 2009-2010 court calendar year, the length of time cases were in court dropped dramatically as shown below:

	Criminal Courts		IPR Civil Courts
Economic Court Location	Cairo	Alexandria	Cairo
% of cases in Egypt	75%	10%	
Time for Court Decision for Cases	<ul style="list-style-type: none"> • 50% of cases are decided within one month • 43% of cases are decided within one to three months • 5% of cases are decided within four to six months • 1% of cases are decided within seven to nine months 	<ul style="list-style-type: none"> • 75% of cases are solved in one to three months • 18% are solved in four to six months • 5% are solved in seven to nine months • 1,1% are decided in ten to twelve months • 0.2 are solved within a period more than one year 	<ul style="list-style-type: none"> • 4.5% of cases are solved in the same month as filed • 32.8% of cases are solved in one to three months • 32% are solved in four to six months • 25% are solved in six to ten months • 1% are decided in ten to twelve months • 4.5% are solved within a period more than one year

Note: For the Economic Court Appeals, 91% of civil cases are decided within three months. Civil cases may take a bit longer than criminal cases, but even complicated intellectual property rights (IPR) cases are being solved quickly².

Potential Areas for Further Progress

An electronic database of cases, judicial decisions, laws, and regulations would facilitate the work of the economic courts and promote greater consistency of judgments. Every year new judges are appointed to the court, so training needs to be offered on a continuing basis and expanded to cover topics the judges find difficult. USAID could also assist in the development of a bench book for economic court judges. Additionally, the preparatory judges require additional training on mediation and lawyers require training on how to appropriately use the preparatory phase to benefit their clients.

D. 3. INTELLECTUAL PROPERTY RIGHTS

Egypt's Intellectual Property Offices have been functioning for many decades. Prior to TAPR II, USAID provided intellectual property rights (IPR) assistance that helped the GOE: strengthen the legal framework for IP and compliance with Egypt's international obligations; join international agreements on intellectual property; automate the industrial property offices; eliminate backlogs and decrease the time to register a trademark or obtain a patent; establish a new plant variety protection office; and provide training to help IP personnel undertake new responsibilities under a new intellectual property law. TAPR II assistance focused on improving the quality and productivity of industrial property examination, adoption of clear and transparent procedures, and technical legal assistance to implement new international obligations and strengthen laws and implementing regulations.

Patents

TAPR II helped the Egyptian Patent Office strengthen its operations and undertake new responsibilities under the Patent Cooperation Treaty (PCT), an international agreement that facilitates international protection of inventions. Egypt deposited its instrument of ratification with the World Intellectual Property Organization (WIPO), which administers the PCT, on June 6, 2003, and the PCT entered into force for Egypt on September 6, 2003.

TAPR II provided significant assistance to the Egyptian Patent Office to strengthen its performance. The project assisted in the creation of a QA System and a Quality Management System (QMS) based on PCT Search and Preliminary Examination Guidelines. The QMS incorporates a second review of a random selection of examined applications prior to their publication. The project also translated WIPO's *PCT Guidelines* into Arabic for use by the Office and provided significant training on technical examination to help Patent Office staff — particularly technical examiners — become more experienced in examination.

A major success arising from TAPR II assistance was the Egyptian Patent Office's designation as a PCT International Search Authority/International Preliminary Examination Authority (ISA/IPEA). Earlier USAID-funded projects helped the Patent Office with training and procedures to implement the PCT as a Receiving Office. Under TAPR II, the Patent Office applied to become an ISA/IPEA. TAPR II advisors assisted with this application and helped the Patent Office prepare to meet those new responsibilities.

On September 25, 2009, WIPO designated the Egyptian Patent Office as one of only 17 intellectual property offices worldwide to hold this responsibility.

² Economic court statistics provided by Dr. Hassna Bassioni, Assistant Minister of Justice, on July 28, 2010.

Trademarks

TAPR II provided significant organizational and legal assistance to the Trademark Office. Project advisors helped develop job descriptions; recommended improvements in the Office's organizational structure and reporting systems; and made recommendations for procedures to improve productivity. Also, TAPR II helped to revise a detailed procedures manual and created a simplified procedures manual for the Trademark Office, and facilitated the adoption of the manuals.

In addition, the project made recommendations on the implementation and protection for well-known marks, geographical indications, and certification marks, while providing training for examiners and other Trademark Office employees.

Another area of emphasis was support for the ratification and implementation of the Madrid Protocol, an international agreement that facilitates the international protection of trademarks. Egypt deposited its instrument of ratification for the Madrid Protocol with WIPO on June 3, 2009, and the Madrid Protocol entered into force for Egypt on September 3, 2009. Implementation requires the development of new procedures and amendment of Egypt's trademark regulations. The project provided draft amendments to the regulations and procedures, and conducted training for international staff.

TAPR II also worked closely with the Commercial Registry Authority (CRA) to provide a draft revision of the regulations for Book Two of the Egyptian IPR Law, which governs trademarks, geographical indications, and industrial designs. The draft was submitted to MTI, but the recommended amendments have not yet been forwarded to the Prime Minister for action. Since the IP Regulations were initially issued by Prime Ministerial Decree, amendments must also be issued by the Prime Minister rather than by individual ministers as with other laws.

Plant Variety Protection

The Plant Variety Protection Office (PVPO) was created under Law 82/2002 and opened in October 2004. With assistance from USAID, the Office was able to issue its first plant variety protection certificate in March 2007. As of this report, the Office has issued a total of 23 certificates of plant variety protection. TAPR II helped develop the executive regulations and assisted in establishing a Plant Variety Protection Office Gazette. The PVPO has now published seven editions of the Gazette.

TAPR II also worked with the Ministry of Agriculture and Land Reclamation (MOALR) to develop draft legislation to permit Egypt to join the Union for the Protection of New Plant Varieties (UPOV). Egypt agreed to join UPOV by June 2008 under the Mediterranean Framework Agreement. Joining UPOV has been a long-standing goal of MOALR, but admission to UPOV required major revisions in Book 4 of Law 82/2002. TAPR II worked with the Ministry to prepare a UPOV-consistent draft law, which was forwarded for enactment. Unfortunately, legislative action was delayed by MOJ, which inserted substantial changes that were rejected by UPOV. The draft was subsequently returned to a form very similar to the original draft, but this intervention delayed legislative action to a later year. MOALR submitted this draft legislation to the Cabinet. It was forwarded to the Shura Council and People's Assembly Committee for action. MOALR expects the People's Assembly to act on these amendments to the IPR Law soon after the next session of Parliament opens.

Copyright

TAPR II prepared a series of reference manuals for the legal drafters of the IPR Law and for the Ministry of Culture. These included a copyright reference manual, a related rights reference manual, and an intellectual property enforcement reference manual. TAPR II prepared a procedures manual for the Copyright Office and revised it to reflect comments

from the legal advisor to the Copyright Office. The project also conducted training on IPR enforcement for Ministry of Culture staff and employees of the National Translation Center.

Enforcement

IPR enforcement is a significant issue for Egypt as widespread infringement has been raised in the context of international trade. TAPR II undertook four different types of activities to strengthen enforcement.

First, TAPR II developed enforcement guidelines and procedure manuals on infringement issues for GOE intellectual property offices. These documents not only improved the quality, transparency, and consistency of IP Office actions but also provided a basis for court decisions on complex issues, such as determining inventive step and likelihood of confusion.

Second, the project provided input into the development of new regulations on IPR border measures. This was important since many counterfeit and pirated goods are imported from other countries. The project recommended changes to make it easier for IP owners to request the suspension of shipments of infringing goods.

Third, the project worked with MOJ to conduct training on IPR enforcement for judges and prosecutors. Training was provided in workshops for Courts of First Instance judges, Court of Appeals judges, and special workshops for 102 economic court judges.

Finally, TAPR II provided training to a total of 96 prosecutors in Cairo, Alexandria, and Ismailia. TAPR II also trained IPR Office personnel who were likely to act as court experts, and in fact, several of them were later appointed as court experts by the economic courts.

Accomplishments

TAPR II IPR assistance has contributed to a number of general improvements in the intellectual property system and three notable accomplishments that will significantly contribute to a business-enabling environment (see below). General improvements include: improved IPR enforcement, further decreased pendency periods, and improved quality, consistency, and transparency of the examination processes.

Implementation of Plant Variety Protection

TAPR II assistance helped clear the way for Egypt to implement plant variety protection and to begin to issue plant variety certificates. The lack of plant variety protection in Egypt had been a negative factor in Egypt's efforts to promote its agricultural exports, as USAID projects working in the agricultural sector had complained that this prevented them from being able to gain access to desirable plant varieties that were protected abroad in order to import them into Egypt. Egypt also supports research and development of new plant varieties through its Agricultural Research Institutes, and the implementation of plant variety protection enables Egypt to capture some of the economic benefit of valuable new varieties. In addition, work on draft UPOV-consistent legislation, when enacted, will enable Egypt to join the Union for the Protection of New Varieties of Plants.

Patent Office Designation as ISA/IPEA

On September 25, 2009, Egypt was unanimously voted to become the 16th International Searching and Preliminary Examining Authority (ISA/IPEA) by the member countries of the Patent Cooperation Treaty. Egypt's designation as an ISA/IPEA member is an important step for inventors, scientists, and researchers in the Arab region since it opens the way for the filing and examination of patent applications in the Arabic language. This will lower the cost and make the patent system more accessible for inventors from Egypt and other countries in a region with a combined population of 450 million. Egypt's designation as an ISA/IPAE member also means that the technical information in patent applications will be published in Arabic, making the information more accessible within the region.

Ratification and Implementation of the Madrid Protocol

Egypt's ratification of the Madrid Protocol facilitates the international protection of trademarks in 26 countries that are not members of the Madrid Agreement. The Madrid Protocol also offers Egyptian applicants more favorable conditions for obtaining international protection in the 82 countries and international organizations that are members of the Madrid Protocol. This action encourages Egyptian businesses to protect their trademarks abroad and remove barriers to foreign countries wishing to protect their marks in Egypt as a first step toward investing in Egypt.

Enforcement

In 2007, according to MOJ, the average IPR-related case was languishing from three to eight years in court. In the 2009-2010 court year (October 2009 — June 2010) 90% of all IPR cases were decided within one year.³ In addition, the Ministry has created an IPR committee, which collects IPR cases from the economic courts; reviews court decisions, classifies them, and provides them to all the economic courts so judges are aware of precedence and to improve consistency of court decisions.

Potential Areas for Further Progress

The industrial property offices made great strides with USAID assistance. There now appear to be opportunities to make further progress on implementation of international obligations and strengthening the IP system so that it better promotes trade and investment. As Egypt joins new treaties, the staff of the industrial property offices may require additional training and assistance in implementing their new responsibilities.

Pirating and counterfeiting are profitable illegal activities, with perpetrators who constantly find new means to circumvent intellectual property rights. For this reason, there is a continuing need for assistance to strengthen Intellectual Property Rights and Enforcement, particularly in copyright. Also, there is a continuing need for additional training and public outreach.

D. 4. COMPETITION POLICY

In 2005, the GOE enacted Law No. 3/2005 on the Protection of Competition and the Prevention of Monopolistic Practices, which is designed to ensure free competition and a market-based economy. The law provided for the establishment of the Egyptian Competition Authority (ECA), which is responsible for monitoring the market and enforcing provisions of the law. This was Egypt's first law governing unfair competition in the marketplace and anticompetitive practices. As Egypt continues to move from a planned to a market driven economy, and continues to privatize public monopolies, the ECA is a critical entity to help ensure a smooth transition and to prevent abuse in a fledgling free market.

Recruitment and training at ECA began in January 2006. At the time, ECA had executive regulations and a small staff who had received some training and some equipment from the USAID Assistance for Technical Reform (ATR) project. There was very little experience in Competition Law in Egypt, and the Agency was still determining its organization, staffing, and training needs.

Accomplishments

TAPR II provided technical and legal assistance to ECA and supported the building of its organizational structure and the capacity of its staff. As Egypt has never had a competition

³ Dr. Hassan Bassioni, Assistant Minister of Justice, on July 28, 2010.

law, and Egyptian university faculties of law and economics do not normally teach courses on this subject, few Egyptians living in country had experience or knowledge of the subject matter. TAPR II provided competition attorneys and a number of economists experienced in industrial economics and competition to work directly with ECA staff. These advisors provided training through lectures on relevant topics, on-the-job training, coaching, and mentoring to ECA staff. They also commented on ECA approaches to various cases under study. Five advisors provided in-country training and mentoring of ECA staff for a total of more than 150 days. TAPR II provided key ECA staff with opportunities to visit other competition authorities and attend International Competition Network (ICN) workshops abroad. In addition, Nathan Associates, a TAPR II subcontractor, hosted two ECA economists for internships for two months in the summer of 2008. Several ECA staff member participated in other training outside Egypt.

TAPR II also provided substantial organizational development assistance, including a suggested organization chart, a mission statement, recommended departmental functions, staffing needs, job descriptions, and legal assistance on suggested amendments to the 2005 Law. TAPR II procured statistical software and a Web site for the Agency. It also provided training for journalists on competition policy and monopolistic practices.

In 2005, the ECA had nine employees; to date, it has 54 employees. The ECA began receiving cases in April 2006. In a little more than four years of operation, the office has received 35 complaints, beginning with three in 2006. These numbers are mounting, as 12 complaints were filed in the period between January and July 2010.

The ECA has reached decisions on 28 cases. The Agency found anticompetitive practices in five cases, no anticompetitive practices in 14 claims, and 10 claims to be outside the ECA's jurisdiction under the Competition Law. Of the five cases where the ECA found anticompetitive practices, two settled before going to court; one reached a decision against the defendants in the Court of First Instance, this decision was upheld by a final decision of the Court of Cassation, which ruled against the executives of the defendant companies, and the ECA ordered two companies to change their contracts or be taken to court.

The case, which went to the Court of Cassation, was a case against a cartel operating in the cement industry. In August 2008, 20 executives of cement companies were convicted of forming a cartel and fixing the price and supply of cement. The Court of Cassation upheld the decision in June 2009. Each defendant was fined 10 million Egyptian pounds, the maximum amount permitted under the Law. Total fines were 200 million LE. This was the highest fine ever imposed by an Egyptian Court. It was however, considered small versus the damages estimated by ECA and caused the Parliament to amend the law and increase the maximum fine to 300 million LE in June 2009.

For the first time, Cairo, Egypt was the location of the Annual International Competition Network (ICN) Cartel Workshop, hosted by ECA. The workshop welcomed 200 participants, representing 70 competition agencies from around the world, to reflect on the past and learn from present experience in fighting cartels.

In October 2009, TAPR II assisted ECA to host the annual cartel workshop of the International Competition Network. The ICN is the only international body devoted to international antitrust enforcement. ICN provides antitrust agencies from developed and developing countries with a focused network addressing practical antitrust enforcement and policy issues of common concern. Hosting this event in Egypt for the first time highlighted Egypt's commitment to fair competition.

Potential Areas for Further Progress

Although the ECA has come far, it is still a fledging organization. It could use additional training and mentoring of staff, assistance with developing its industry databases, and legal

assistance to modify the law to permit leniency and include merger oversight as part of its responsibilities.

D. 5. CONSUMER PROTECTION

When TAPR II began, there was no legal framework for consumer protection in Egypt. Consumers had little recourse against dishonest business practices, a fact that slowed purchases and generated preferences for foreign goods. In 2006, Egypt enacted a new Consumer Protection Law, Law Number 67/2006. This law provided basic legal protections for consumers and created a Consumer Protection Agency (CPA) to protect the rights and interests of consumers. An effective consumer protection agency helps to develop internal trade through the improvement of consumer confidence. Holding manufactures and retailer accountable promotes the development of higher quality goods and services that are more competitive both domestically and internationally.

Initially TAPR II worked very closely with the Chairman and Executive Director of the CPA to assist in the development of an effective and sustainable CPA.

The CPA is unique as it is the only agency with official NGO participation in its governance. NGO officials are present on the CPA Board of Directors, and the Vice Chairman heads a NGO. The CPA thus works closely with NGOs, and this relationship is an important element of its strategy to improve public awareness about the rights of consumers and smart consumer strategies.

Accomplishments

The CPA is currently an effective and fully functioning agency with about 50 employees. Its main office and call center are located in Mohandeseen. It also has an office in the Smart Village, which investigates complaints and small offices in two NGOs.

The CPA is also helping to develop local NGOs and community involvement. TAPR II participated in this through the disbursement of two grants to two consumer protection umbrella NGOs, each initially for about \$300,000 (see Component G for additional information). Due to an expected short fall in TAPR II funding, these grant amounts were reduced to \$150,000 each.

TAPR II assisted the Agency in the development of regulations for the law in 2006 and the regulations were issued on November 30, 2006. It also assisted the Agency through provision of organizational development assistance such as objective, job descriptions, organizational structure, work plan, and staffing suggestion. TAPR II worked closely with the Agency to develop a complaint procedures manual, a legal services and specialized committee (i.e., car committee) procedures manual, and a management guide for working with consumer NGOS. These manuals are in use by the Agency. The Complaint Procedure Manual in also used as a training aid to train NGO personnel.

Public awareness assistance was provided in the form of training of journalists on consumer protection issues and enabling the CPA to host workshops on World Consumer Rights Day (March 15), and working with the CPA on their television advertisements.

TAPR II provided the CPA with IT equipment, call center equipment, and call center outsourcing services, an interactive Web site, computer equipment, and Internet access for the Alexandria office and a queuing system. TAPR II provided training for CPA staff on computer software, and for CPA and NGO personnel on survey design and analysis and grant management

These strategies have been effective. Since 2007, when the Agency first started receiving complaints, the Agency has received 28,748 complaints and has resolved 25,102 of those

complaints, or about 87%. Complaints received per month have risen to over 1,400 and are expected to continue to rise. Most complaints received are phoned in to the hotline, but complaints are also received by e-mail, in the mail, or as walk-ins. Because the CPA has been effective at resolving complaints and generating greater awareness of the rights of consumers and responsibilities of businesses, a number of businesses have indicated that they are changing their practices by, for example, offering receipts for purchases and by being more willing to honor warranties.

Potential Areas for Further Progress

MTI would like the CPA to have the legal authority to regulate against deceptive advertising. Assistance may be helpful in developing amendments to the law and implementing regulations, and helping the Agency prepare to implement its new responsibilities in this area.

The CPA and consumer NGOs would benefit from additional training on designing and conducting surveys, including how to select statistically representative samples, and analyzing survey results. Although TAPR II provided a short three-day course on this topic, additional training is required. In addition, NGOs would also benefit from training on fund raising, managing funds, project management, and grant management. Further, CPA would like to create a short consumer awareness video or film or spreading public awareness and to give to the NGOs to use locally.

D. 6. ALTERNATIVE DISPUTE RESOLUTION

At the start of TAPR II, parties to a dispute could make use of the court system or one of the arbitration centers in Egypt, but formal mediation was not an option. In litigation and arbitration, the primary relationship is between the parties and the decision maker, be it arbitrator, judge, or jury. In mediation, the relationship is between the parties who remain in control of their fate throughout the process. In mediation, the parties choose a neutral third party to assist with the resolution of their dispute. Unlike arbitration or the courts, the neutral third party has no power to decide the case for the parties. Instead, the mediator uses communication and facilitation skills to assist the parties in reaching a mutually agreeable resolution of their dispute. In classic mediation, the mediator does not render an “opinion” on the resolution of the dispute between or among the parties, although an experienced mediator will sometimes, as a last resort, provide the parties with an “evaluation” of the strengths and weaknesses of their respective positions. Commercial parties in the U.S. and EU are increasingly opting for mediation as it is relatively inexpensive, expeditious, produces high settlement rates, and usually preserves the business relationship.

TAPR II discussed the benefits of commercial mediation with the National Commission and MOJ judges considering revising the Arbitration Law to include mediation. In April 2007, advisors met with MOJ officials and the NLC who were considering amending Egypt Arbitration Law. Shortly thereafter, the then-President of the GAFI, Dr. Ziad Bahaa El Din asked USAID for assistance in creating a center to mediate shareholder disputes inside GAFI. He was disturbed that many companies were virtually frozen for years while in litigation or arbitration. He personally facilitated a better deal for some GAFI shareholder companies and wanted to create an Alternate Dispute Resolution (ADR) Center inside GAFI to deal with commercial dispute among shareholders, which are common.

A number of initial meetings were held, and in September 2007, TAPR II conducted an assessment for GAFI. This quickly led to a program of actions, which were incorporated into the TAPR II work plan and implemented over the next two years.

Accomplishments

TAPR II trained 51 potential mediators in Cairo and Alexandria. The project provided each mediator with over 50 hours of basic, advanced, and practicum training. To provide the best training possible, several video reenactments of mediations were translated into Arabic and then the English-language videos were either dubbed or subtitled. Future mediators included lawyers, professors, judges, and businesspersons. In addition, a group of 10 persons had training on how to be a mediation trainer (train-the-trainers course for mediators).

Contemporaneously with the training of future mediators, project advisors worked with GAFI on the creation of the Center. This work included organizational assistance, such as developing the mission statement, organizational structure, staffing needs, and job descriptions. The project provided assistance on the Center's physical infrastructure, developing architectural plans to renovate some ground floor space at GAFI, preparing budgets, and information technology equipment needs and specifications. Assistance was provided on developing a mediator list, mediator qualifications, and ethical rules for mediators, as well as operating procedures and suggested fees or the Center. Action plans were developed and revised as were publicity plans. TAPR II held a few meetings with members of the media and arranged interviews with officials. A number of newspaper articles resulted from these events.

There was a significant delay on the part of the GOE in adopting a decree legally creating an ADR Center, the naming an Executive Director (signed August 2009) and having the Board of Directors of GAFI approve the procedures for the Center (signed March 2010). As a result of the legal delay and the fact that the International Finance Corporation (IFC) began an ADR project in Egypt working with GAFI, two final activities from the original action plan were not undertaken. These were an event for the opening of the Center and the holding of a Dispute Settlement Week. Dispute Settlement Week was to provide an opportunity for the newly trained mediators to actually mediate shareholder disputes in the presence of an experienced senior mediator who could mentor them through their first mediation experience. It was planned that as many GAFI cases as possible would be mediated during one week. The results of this week-long mediation experience would then be summarized and used an opportunity to gain press coverage and increase public awareness about mediation as an alternative to going to court.

The Center had a "soft opening" and conducts mediations with some success in resolving disputes. The Executive Director decided to have some quiet practice mediation before holding a Grand Opening or advertising the Center. In addition, a number of the TAPR II-trained mediators have been conducting mediations on their own. Finally, one of the TAPR II-trained judges in mediation and who took the mediation "train-the-trainer" program through this effort became a preparatory judge in the Cairo Economic Courts. She has been training her preparatory judge colleagues for the Ministry of Justice and has a 60% success rate in her mediations.

Potential Areas for Further Progress

The ADR Center still requires assistance as it has only had a "soft" opening. Mediators could use additional training or a refresher as their training took place two years ago. The Center requires software to manage its cases and decisions. Public awareness about mediation should take place, as well as training of lawyers and businesspersons on the process.

COMPONENT E — FACILITATING SERVICES FOR THE PRIVATE SECTOR

Introduction/Where We Started

Private enterprise is the engine of economic growth. Entrepreneurs require a stable macroeconomic environment, as well as a wide range of services to develop and expand their businesses. In Egypt, the growth of productive enterprises, especially small and medium-sized business, is constrained by burdensome registration processes, lack of standardized procedures, and a highly inefficient bureaucracy. Access to financing is extremely difficult for most, and tax rates and regulations are onerous. Business development services are limited.

Previous private studies documented that the process of incorporating a business and obtaining a license in Egypt required 127 separate steps and 372 work days. This data represents a formidable barrier to market entry and enterprise formation. Firms are required to receive approvals from a wide range of agencies before commencing operations, including: one to register the business, another to register for taxes, another for environmental approvals, another to comply with the labor code, another for health and safety requirements, etc. While some reflect valid policy concerns, there is an obvious need to streamline the process.

Although the Egyptian government's reform efforts had been in place for several years, at the time of TAPR II's launch they were lagging behind in their ability to effectively streamline and deliver government services to the private sector. Simplifying the services themselves and facilitating delivery of those services are essential components for improving the business climate and stimulating economic growth and foreign investment. Under the TAPR II contract, Component E developed and assisted Egyptian government programs that facilitated services to private enterprise, streamlined administrative processes faced by private firms, and opened opportunities previously reserved for state-owned entities.

Component E Key Accomplishments

- Smart Services Business Center, Alexandria
- Markaz Tamayouz, Cairo business service center
- Simplified commercial registration procedures ERRADA - National regulatory reform initiative
- Transformed ENCC into a globally recognized entity; founding member of the Global Federation of Competitiveness Councils
- Industrial policy and parks moved from state-led to PPP model
- Special Economic Zone transaction strategy
- Investor pipeline of over 500 companies in the automotive sector representing inflows of US\$240 million
- Concept of Suez Corridor as a global trade and logistics hub

Primary counterparts in these areas included the MOI (MOI), the Ministry of Foreign Trade and Industry (MTI), the Governorate of Alexandria, the MOF, and other entities identified as the activities of the component progressed. Another counterpart, the Egyptian National Competitiveness Council (ENCC), a NGO, focused entirely on the current and future competitiveness of Egypt.

Over the life of the contract, USAID Egypt anticipated that TAPR II would support a number of efforts aimed at improving Egypt's business and investment climates. Component E's activities were designed to help Egypt's enterprises increase their competitive position. The Component focused first on supporting the GOE to streamline measures within key ministries and agencies. It implemented the GOE and the Egyptian private sector priorities that led to more efficient and productive private enterprise growth. It focused on and responded to those sets of activities that encouraged investment, enhanced business development services, increased productivity, promoted international standards, and stimulated enterprise competitiveness, thereby increasing market access and better integration of Egypt's enterprises into global value chains.

Private sector and GOE reform priorities for enhancing services determined Component E's direction and its linkages with other components, such as Trade Environment, Financial Sector Modernization, Enabling the Policy Environment for Business, and HR. Component E's deliverables were linked directly to USAID SO 16 through IR 16.2, "Trade and Investment Facilitated." The Contractor's defined subintermediate result for this component is "strengthened private sector competitiveness through increased efficiency in the delivery of services to domestic businesses and foreign investors."

Another area targeted for potential work under TAPR II was the legalization and formalization of small informal enterprises into the formal marketplace. In early 2004, the GOE's economic ministries under the leadership of the Prime Minister began studying a set of proposals aimed specifically at facilitating the transition of small enterprises to the legal and formal status required to operate in the formal marketplace. Conceptual implementation steps for this activity included legislative drafting, public information dissemination, and initial steps for creating new public agencies dedicated to small-business formalization. Although this is an essential task for the continuation of private sector-led economic growth, the GOE was not ready to make a major move forward with efforts to facilitate small business formalization, and only limited direct support was provided for this challenging task.

E. 1. "SINGLE WINDOW" AND INVESTOR SERVICES SMART SERVICES BUSINESS CENTER

The numerous and time-consuming licensing and registration requirements represented a daunting barrier to investment. SMEs in Egypt were formally subject to extraordinary levels of bureaucracy, red tape, and corruption, so much so as to seriously stunt the growth of the SME sector — by far the largest business sector in Egypt. Difficulties and delays in the business licensing process in Egypt were identified by the World Bank in its ease of doing business index and confirmed by the practical experiences of a range of businesses (particularly SME's) who attended business focus groups held by TAPR II.

The Governor of Alexandria was targeted for pilot projects to undertake measures to streamline the licensing and registration approval procedures. One suggested approach for pilot implementation was to use information and communications technology for online processing of regulatory approvals or the creation of a "one window service" with a full range of investor services. TAPR II supported the selected counterpart in its effort to determine the most appropriate means of delivering these services to prospective investors and assisted with the design and development of facilities to deliver these services.

The Governor of Alexandria had expressed an interest in developing a service center, which could operate in conjunction with, and be co-located on an experimental basis at the MOF's Model Sales Tax facility in Alexandria. He agreed to grant the authority to issue all licenses, permits, approvals, and clearances necessary to get a business operational.

The Smart Services Business Center (SSBC) was set up in accordance with the design contained in the feasibility study "Clearing the Path for Business" presented to USAID in May 2006 and delivered the accelerated business licensing service as projected in that report. Customer reaction was positive with satisfied customers complimenting the Governor of Alexandria on his initiative in establishing the SSBC. TAPR II continued to support SSBC with advisory inputs in relation to the development of the information system.

Key Accomplishments

The Smart Services Business Center (SSBC) was established by a Governorate of Alexandria decree in April 2007 to address these issues by providing improved business services through:

- A customer-centered facilitation approach to the delivery of government licensing/compliance and other services.
- A comprehensive and transparent delivery of services, including clear instructions, requirements, documentations, and fee schedule.
- A systemic reform, reducing the regulatory burden that licensing and compliance represent.

The SSBC functions as a Center of Excellence with the objectives of improving licensing/compliance processes for the business sector to reduce business costs; reduce business risk, increase the profitability (particularly of SMEs), and improve environment for business licensing. The activities of the Center are designed to lead to better Governorate services and less unnecessary government regulation of business in Alexandria.

Since its establishment, the SSBC demonstrated that the model designed on the basis of international best practices but tailored to the particular requirements of the Egyptian market operated successfully and generated a very positive response from business customers.

The SSBC consists of three main components:

- Simplified administrative procedures
- User-friendly service
- Automated systems for workflow and knowledge database



TAPR II contributed heavily to the success of the SSBC. Long-term resident technical assistance was provided through the life cycle of the project. Additionally, the project funded the remodeling of the initial location of the SSBC. Procurements in support of the SSBC included computer hardware and software, and software development for the advisory system and the automated workflows. Extensive training, both formal and on the job, was also provided for developing the staff and supporting the automated systems.

The activity started well with about 70 licenses issued in the first three weeks of operation of the center within accelerated timescales. However, issues surrounding the partial physical collapse of the building led to a slowdown in the number of licenses issued. More positively, the Governor of Alexandria demonstrated his commitment to the SSBC by transferring the power to issue all building and demolition licenses in the Governorate to the SSBC and committed funds to repair the SSBC building.

Iterations one and two of the SSBC Information System, including road occupation licenses, sign permits, and shop licenses were developed. Additionally, all required hardware for the system was installed and operational by September 2009. The SSBC Information System was expanded and enhanced to include functionalities and features related to the expanded services and business activities, such as building licenses and permits, building inspections, shop package application, shop area calculator, compliance control, appeals, and online services.

More than two years of solid operations demonstrated that the SSBC has reached its primary objectives of:

- Design and implement simplified procedures for providing services to SMEs
- Increase transparency and fairness
- Introduce a new customer service culture
- Develop capacity and skills to deliver high-quality service quickly and efficiently to high volume of customers
- Fight corruption

These objectives were primarily achieved by:

- Designing and implementing business processes that required minimum physical interaction with clients
- Developing and implementing an information system that provides support in services ensuring reusability of knowledge, data, templates, calculation of fees while managing the business processes and imposing computerized Standard Operating Procedures
- Training the SSBC client-facing staff on new “Customer-centric” behavior
- Establishing a workflow between SSBC and approvals issuers, which facilitated the approvals process

The SSBC currently services an average number of 150 customers daily.

The success of this project has prompted the Governor of Alexandria to proceed with regulatory reform and, possibly, other related business environment and human capital projects. The SSBC project has also acted as a trigger for the Markaz Tamayouz project with the Cairo Chamber of Commerce and the Integrated Center for Business Services in Alexandria Chamber of Commerce.

Potential Areas for Further Progress

The SSBC has the potential to develop into a full-fledged Business Development Center and a center for support of local entrepreneurship. The SSBC concept would benefit from continuous process improvement, such as the refinement of physical facilities and service delivery based on user/customer feedback.

E. 2. MARKAZ TAMAYOUZ CENTER

TAPR II assisted the Cairo Chamber of Commerce to establish and develop its new business service center known as Markaz Tamayouz. Using the knowledge gained in Alexandria during the implementation of the SSBC, components of the SSBC initiative were incorporated into the Markaz Tamayouz. This is an integrated center for business services, along the lines of a one-stop shop, where a wide range of government services to business are gathered under one roof for the convenience of the user.

Markaz Tamayouz provides one location for all the approvals required by a business through the business life cycle, linking each of these approvals through a workflow management information system. Markaz Tamayouz draws heavily on work already carried out in Alexandria through the establishment of the SSBC. Although somewhat different in its operation than the SSBC, the range of services and the expedited delivery of those services to SMEs are much the same.

Key Accomplishments

Markaz Tamayouz provides one-stop shop access to the following list of services that are required for the establishment of a new business:

- Chamber of Commerce
- Tax
- Customs
- General Organization of Import and Export Controls
- Notary Public
- Cairo Governorate
- Social Insurance
- Commercial Registry

The center houses onsite representatives of all of these agencies and provides some connectivity between the center and the separate government entities.

Markaz Tamayouz has developed and deployed an internal workflow system with clearly defined roles and responsibilities for customer service agents. Tamayouz employees have received training related to best practices in providing government services, customer service, and service quality. Also, it established a customer complaints management unit.

Markaz Tamayouz opened in mid-April 2010. Since opening, it averages 300 clients per day and provides an average of 500 services per day. Tamayouz is now a fully operational stand-alone facility and considered a strong success.

Customers of Tamayouz no longer have to visit five or six different governmental authorities to establish a business or add or change a business activity. Furthermore, Tamayouz has managed to cut company establishment time to one-third of the time consumed when the service was obtained via individual governmental agencies. In cases of tax and insurance services, procedural time has been reduced from 30 to three days.

Potential Areas for Further Progress

The success of the SSBC and the Tamayouz Center in Cairo triggered the Alexandria Chamber of Commerce to request TAPR II assistance to establish an Integrated Center for Business Services center in Alexandria. TAPR II began assistance in late September 2010,

near the end of TAPR II. This will be another integrated center for business services, along the lines of a one-stop shop, where a wide range of government services to business are gathered under one roof. In the future, this concept should be extended to other Governorates in Egypt, including 6th October, North Sinai, Ismailia, and Red Sea Governorates.

E. 3. LEGALIZATION AND FORMALIZATION — REGULATORY REFORM INITIATIVE — ERRADA

The Egyptian Regulatory Reform and Development Activity (ERRADA) is a national effort designed to overhaul and streamline economic governance in Egypt. A multiphase activity, ERRADA involves rapid review of a large number of existing business regulations — maintaining those that are effective, clarifying those that are ambiguous and eliminating those that are no longer needed — based on legality, necessity, and business friendliness. The ultimate goal of this activity was to develop an open, innovative, competitive business environment within a low-risk and low-cost regulatory system. This will improve transparency, reduce health, safety, and environmental risks, protect other public interests, make doing business easier, reduce or eliminate corruption, and expand the economy.

The ERRADA project was officially launched in February 2008. It quickly moved from a TAPR II initiative to total GOE ownership. ERRADA now operates under the Sub-Cabinet Committee of the Productive Sector of the Egyptian Government, chaired by the Minister of Trade and Industry, H.E. Eng. Rachid Mohamed Rachid. This high-level ownership demonstrates the government's commitment to making rapid progress on the path to comprehensive regulatory reform.

TAPR II procured the IT hardware and software to build the document inventory system with a cost of \$385,000. The document inventory software is based on a previously developed system used in other countries for rapid regulatory reform. The system was modified and localized for use in Egypt. TAPR II continued to provide technical support, as requested, during the life of the project.

Key Accomplishments

There are four main objectives of the ERRADA Initiative:

1. In each of the participating Ministries, assemble an inventory of all regulations that affect business operations in Egypt.
2. Undertake inventory reviews through the following mechanisms:
 - Government Ministerial Units (GMU) — dedicated units within individual ministries that build ministry-by-ministry inventories of regulations and review them against agreed criteria.
 - General Review Unit (GRU) — central coordinating body for ERRADA. Validates the review process, provides QA on the database, challenges review recommendations of individual ministries, conducts consultation with the business sector, and reconciles differences between the ministries and the Business Advisory Council.
 - Business Advisory Council (BAC) — coalition of private business and professional organizations that coordinates business sector input to the ERRADA process, ensures comprehensive inventory and review phases, and helps build a communications campaign.
3. Establish openness and transparency for the Egyptian regulatory regime by providing Internet access to an electronic registry of laws and regulations impacting business.

4. Lay the groundwork for effective use of Regulatory Impact Analysis (RIA) as the foundation for future economic governance in Egypt.

In line with these objectives, the initiative is divided into four phases:

1. Inventory Phase
2. Review Phase
3. Depository Phase (e-Registry)
4. Regulatory Impact Analysis (RIA) Phase.

In the initial stage, 12 ministries, including Trade and Industry, Investment, Finance, Petroleum, Tourism, Housing, Transport, Agriculture, Health, Administrative Development, and Local Development, joined the initiative. Twelve GMUs were established within these ministries.

Inventory Phase

The objective of the Inventory Phase is to create an inventory of all regulations, which affect the business environment, and put them on an electronic database. A manual for the inventory phase was jointly developed by the GRU and the GMUs. It served as a guideline and quality check to ensure consistency in the process. The structure was flexible to allow the GMUs to undertake the inventory process in a way that was suited to their ministries — having regard for their history, structure, complexity, and regulatory heritage.

On this basis, participating ministries identified and inventoried all business-related regulations under their jurisdiction. Thousands of old paper archives were collected from storerooms and transformed into electronic form. Thousands more regulations were collected and verified from legal Web sites and the national print house. In all, more than 250,000 general regulations were identified, and over 35,000 business-related regulations were inventoried and categorized under 160 internal topics in about 170 subordinate agencies and authorities.

Having all relevant regulations logged together in a consistent format and in one place represents a huge achievement and a major milestone on the regulatory reform path for Egypt.

Review Phase

The purpose of the Review Phase is to streamline the existing stock of regulations through a systematic review that involves examining regulations and producing recommendations to either maintain, amend, or abolish them. The GRU and GMUs developed guidelines for the Review Phase. Each GMU identified relevant topics and classified its regulations according to these topics. The Review Phase methodology comprised four steps:

1. Prepare a regulation file for each topic
2. Conduct topic study
3. Fill in review checklist for each regulation
4. Prepare a recommendation report

The GMUs deliver the outcome of their internal reviews to the GRU, which in turn raised a report, including the comments/recommendations of the GMU and the Business Advisory Council (BAC), and presented their report to the Board of Trustees (BOT) for adjudication.

The cohesiveness of the Review Phase was facilitated through a series of common agenda workshops where participating ministries were represented and in which all GMU and GRU members participated. ERRADA's development to the Review Phase was also greatly

facilitated by the fact that existing regulations were easily accessible after being inventoried. As a result, several ministries started their review with early success. For example, the Ministry of Transportation reviewed over 800 ministerial decrees that regulate 200 main roads in Egypt and decided to eliminate duplications and inconsistencies by merging all these regulations into one ministerial decree. The Ministry of Trade and Industry also cancelled 83 obsolete industry-related decrees that were issued during the period from 1958 to 1983. Another 404 decrees were cancelled by the ministry because of possible conflicts with currently applicable investment incentives and duty exemptions.

Depository Phase

ERRADA rapidly became the central electronic depository for all business-related regulations. In future, it will be compulsory for GMUs to receive all newly issued regulations. This will necessitate all ministries becoming part of the initiative, so as to ensure the database is comprehensive and accurate. The e-registry strongly supports the government's effort to achieve greater transparency in business regulation.

Regulatory Impact Analysis (RIA) Phase

RIA aims to improve the quality of future regulation by facilitating policymaking to become more evidence-based. With the introduction of RIA, regulators will be required to analyze and measure the socioeconomic impact of any proposed new regulation. Analysis of proposed regulation/s will allow for a real comparative evaluation of options by different stakeholders. ERRADA has not yet started the RIA phase. ERRADA is presently building the capacity of its staff, familiarizing them with relevant concepts and tools, to be able to undertake RIA within two years.

At the core of the ERRADA initiative is the well-designed information technology, communications hardware and software platform combining networked services among the GMUs with the independent GRU as the apex.

ERRADA has completed the inventory phase and is at the review stage in 12 participating ministries and three Governorates. It has also established a working infrastructure and standard operating procedures for applying consistent approaches, standards, and norms for inventorization, review, and depository, and plans to do likewise for RIA. As of the close of TAPR II, ERRADA has inventoried more than 35,000 regulations, reviewed more than 10,000 of those regulations, and issued more than 9,000 recommendations. More than 5,400 recommendations that either repeal obsolete regulations and streamline or maintain others have been implemented.

A pilot of the inventory phase and later the other phases also was planned for three local Governorates. Currently, Red Sea, Alexandria, and Cairo Governorates are working on inventory to compile and review the business-related regulations in each of these Governorates.

Potential Areas for Further Progress

ERRADA will need to continue to build the capacity of its staff, as it moves into the RIA phase. Additionally, the Business Advisory Council needs to become more active and assume its role in the regulatory reform process. Both the Review and RIA Phases include involvement by businesses and stakeholders in assessing the impact of regulation. This should facilitate a simpler, more manageable, yet more effective regulatory regime going forward. Finally, ERRADA participation needs to be rolled out to all ministries in order to achieve maximum impact from this initiative.

E. 4. INTERNATIONAL COMPETITIVENESS

The ENCC was founded in 2004 by a group of prominent Egyptian business leaders and academics upon their return from the World Economic Forum's (WEF) 2004 Annual Meeting. Its foundation was supported by the Egyptian Junior Business Association, the WEF's Arab Business Council, and Egypt's International Economic Forum. The council was set up to shed light on the issue of national competitiveness, enhance Egypt's performance, and provide an international benchmarking mechanism. It provides a forum where leaders from the private sector, government, academia, and civil society can work together to increase awareness of national competitiveness and its economic implications for industry and society. The ENCC was the first nonprofit, nongovernmental organization dedicated to competitiveness in Egypt and one of the first competitiveness councils to be established in the Middle East.

The ENCC Vision is to become an instrument of influence on government policies, business climate, and public attitudes to make the nation's institutions more globally competitive. It seeks to develop solutions for specific issues that will increase the productivity of business and workers. To achieve its vision, its mission is to improve the quality of life for all Egyptians by being an efficient and effective platform that will bring together stakeholders — business, government, academia, and civil society — in order to raise awareness and advocate policies that will enhance competitiveness. The ENCC follows five strategic objectives:

1. Identify, benchmark, monitor, and evaluate Egypt's regional and international competitiveness ranking to determine recommendations that will gain consensus on actions that will improve the standards of living for all Egyptians and create a world-class business environment and productive people.
2. Create and release periodical reports on competitiveness rankings that will guide Egypt's development.
3. Communicate and cooperate with stakeholders to create awareness of the competitiveness of Egypt.
4. Initiate and promote sector competitiveness with the aim of raising incomes and improving the business climate of Egypt.
5. Help identify and highlight emerging competitiveness and sustainable development issues of national importance.

Key Accomplishments

When TAPR II commenced, the ENCC had no Secretariat, no paid staff and its activities were mainly focused around the production of the annual Egyptian Competitiveness Report (ECR). As technical staff was largely voluntary and technical assistance was ad hoc, the ENCC suffered from a lack of scope, scale, and organization that would enable it to realize its ambitious potential to make an impact on the trajectory of Egyptian government economic policy and the strategies and effectiveness of Egypt's industries. Today, the ENCC has been transformed into a highly visible and major force with pervasive influence nationally and internationally.

The ENCC has been part of a trend towards sound economic policies leading to higher rates of growth. The ENCC focused in particular on sound policies in agriculture and tourism, forming Competitiveness Sub-Councils in both sectors. The tourism industry is a champion performer in recent years. Its growth has exceeded even optimistic projections and it diversified into many market segments. It spurred job creation and is one of the bright points of Egypt's economic performance in recent years.

The ENCC contributed to broad public awareness and, behind the scenes, to awareness among very high-level government leaders, of the competitiveness agenda. It is impossible to precisely quantify its influence in creating the conditions under which a number of pro-reform Cabinet Ministers came into power in 2004 or the extent to which ENCC has helped enable these new leaders to shape and implement their programs since that time. What is indisputable is that all of Egypt's indicators began to improve, including GDP growth, foreign investment mobilization, and export performance.

The cost of the ENCC is modest with annual budgets measured in the hundreds of thousands of dollars and with an outsized impact that has been highly leveraged. These were expressed in very tangible results by October 2010:

- The Prime Minister commissioned the ENCC to prepare a national competitiveness strategy for Egypt, which was well underway.
- The ENCC became a leading (if not the leading) platform for public-private dialogue focused on economic policies that leads to economic growth and competitiveness, and its counsel has been sought by various ministries.
- ENCC was instrumental in the creation of ERRADA, which has made considerable progress in rationalizing the overlapping, unclear, and sometimes counterproductive laws and regulations.
- The ENCC has focused on “investing in people” and is actively coordinating and contributing to initiative underway to address education, workforce, labor market, and skills issues.
- The hiring of Dr. Mona El-Baradei, former head of the CU Economics Faculty, contributed to ENCC's influence as she is held in high regard by authorities in both the private and public sector, and enjoys considerable high-level access to policy makers and Cabinet Ministers.
- With its publication and dissemination of the ECR at Middle East regional forums, the ENCC arguably made an impact on the economic policies and organizations of neighboring countries, including:
 - Jordan: Reinvigorated its Competitiveness Observatory and produced a competitiveness report,
 - UAE: Created the UAE Competitiveness Council, and
 - Saudi Arabia: Joined other countries in being ranked in the Global Competitiveness Index rankings and sponsored competitiveness conferences and events.
- It is one of the founding members, along with the U.S. Council on Competitiveness, of the Global Federation of Competitiveness Councils that is helping to set a global agenda of cooperation, policy interaction, and best practices.

TAPR II contributed directly to these outcomes by both grant funding and technical assistance at critical moments. These contributions continued in full strength right up until the end of the project. In October 2010, TAPR II arranged for Harvard University's Dr. Michael Porter, the world's leading expert in competitiveness, to address four Ministers of State, the Board of Directors of ENCC and USAID and UNDP officials (Dr. Porter provided his time pro bono). TAPR II also intervened directly and arranged for CU to be included in the network of universities teaching the Harvard Microeconomics of Competitiveness Course. The University intends to provide this course to senior government officials, as well as graduate students.

In short, a very small investment has had an outsized impact in the economic modernization agenda in Egypt.

Potential Areas for Further Progress

- At the level of macroeconomic impact, some of the pro-growth and pro-modernization leaders are worried about a possible reversal of economic reform and a circling-the-wagons mentality. It is unclear if the Egyptian political leadership, which has shown defensiveness in its management of the elections, will retrench on the recent economic modernization initiatives or go forward with the next stage of growth policies. This bears watching. If the momentum towards economic reform is eroded, voices such as the ENCC will be more essential than ever to carry the consistent message forward to the broader public and continue benchmarking the economic results and policy achievements or reversals.
- Internally, the ENCC has come a very long way but much remains to be done. The ENCC has yet to develop diversified financing that will enable it to achieve economic sustainability. Annual dues, annual conferences, monthly breakfasts, and special events could contribute to this goal and will be a key goal going forward. In addition, Egypt's private sector, especially business leaders in industries that have an interest in Egypt's success in a globalized economy, could take the lead in mobilizing economic contributions and financial resources, much as the U.S. private sector takes the lead in financing the U.S. Council on Competitiveness. Greater Egyptian private sector leadership, without compromising policy independence of the ENCC, will also contribute to the ENCC's legitimacy.
- The ENCC needs a governance structure that will enable it to constantly expand its membership and influence without watering down its focus on competitiveness and its ability to control its agenda. The impact of the ENCC will need to be institutionalized going forward. Its current governance is led by the private sector but includes leaders from government and academia as well. This "triple helix" model is commendable and should continue. Greater use of Board committees is needed by which each Board Director takes responsibility for a particular initiative and helps guide and support ENCC staff and working groups.
- Extending the influence of the ENCC to the Governorate level is an important goal, but will require appropriate staff and organization. Greater emphasis will be needed on ENCC technical staff training and the institutionalization of capabilities that will increasingly replace the reliance on externally funded technical assistance. The UAE Competitiveness Council has a senior competitiveness advisor well-versed in macroeconomics, public policy, and industry strategy. The advisor assists the Director and helps train other UAE staff. The ENCC could benefit from this model as well.
- As the influence of the ENCC continues to grow, it will be necessary to use information technology to provide a transparent window to its work so that its influence can grow and so that the broader public will have confidence in its agenda. The release of the Egyptian Competitiveness Strategy will be a good time to launch a "media mindset" campaign that can have a major influence in popular understanding and support for competitiveness-related initiatives and policies. This will require an intensive round of presentations among 20 or more leadership venues throughout Egypt by effective Egyptian presenters of the strategy. Greater and more continuous outreach and public presentations will need to be a part of ENCC activities going forward and may require active involvement of Board members, as well as others.

E. 5. COMMERCIAL REGISTRY MODERNIZATION

During 2006, the CRA of the MTI requested technical assistance from TAPR II for the modernization of Egyptian Commercial Registries Offices (CRs), by developing and implementing a new IT-based system for names reservation and registration of individuals and legal entities doing business in Egypt. The pre-existing registration process in Egypt was a barrier to the efficient creation and registration of business. The Commercial Registry modernization initiative was aimed at; simplifying and automating procedures, upgrading the legal and business processes, and reducing time spent registering a business by modernizing and unifying the Commercial Registration system in Egypt. A well-designed and implemented commercial registry will assist the GOE in providing services to businesses and transparency and operational efficiencies to the entire registration process.

Some of the factors highlighted in the initial assessment of the CRA were:

- No codification or unique legislation dealing with trade names and registration of different types of entities.
- Business registry process lacks transparency; was ineffective; re-registration is required in each governorate in case of opening branches.
- Code description of business activities is not in accordance with International Statistical Industrial Classification (ISIC) Code.
- Registration and compilation of all documents, at the Business Registry, is poorly done and maintained, entries in the forms and in the ledgers are completed manually and handwritten; protection of archives is almost nonexistent.
- Infrastructure is almost nonexistent (and/or poorly maintained) coupled with lack of IT equipment and software.
- Extensive internal and external communication problems exist.
- Data produced are not reliable for statistical and economic analysis, which is needed to underpin policymaking issues and is not provided in conformity with legal requirements.

The modernization of the business registry will facilitate and accelerate the registration of sole proprietorship, partnerships, and domestic and foreign companies. In addition, it will stimulate private sector investment and creation of jobs in Egypt.

The vision of TAPR II's technical assistance was based on the following elements:

- Streamline and reduce unnecessary regulations and government interference in the private sector.
- Reduce administrative barriers (resulting in cost and time savings) to the establishment and operation of the companies in Egypt.
- Start business immediately after the company receives its certificate of registration.
- Respond to the needs of local business and foreign investors.
- Instill transparency to promote confidence in fair resolution of commercial transactions.
- Provide timely access to information and services through the use of web technologies.
- Coordinate with other project efforts, which impact this area, including Smart Center (Alexandria), industrial parks development, intellectual property rights, etc.

Key Accomplishments

TAPR II interventions with the CRA were on two tracks with full automation of the registration service being the ultimate goal. In addition to the automation efforts, TAPR II, in conjunction with the CRA, implemented an extensive training and capacity-building plan. More than 600 individuals participated in the training. Training curricula included basic management skills, customer service skills, information technology training, and training on the new rules and directives. A program of training of trainers was incorporated into the activity to ensure sustainability.

The CRA, at its own expense, renovated several of its larger offices, reorganized the layout of individual offices, upgraded the staff and client service environment, improved facilities including IT tools, and trained office management staff. QA inspections of all upgraded offices were initiated to verify consistency of approach and evenness of performance across the country, and to ensure that they aligned with the agreed-upon CRA/TAPR II development plan. This resulted in an overall more attractive and user-friendly service experience for the existing registration process.

In March 2008, a local procurement was conducted for the development of the commercial registry system software. After a competitive procurement process, Sakhr Software was selected to develop the required application and provide the related services such as training. The award was made in June 2008. A subsequent procurement for hardware was conducted and awarded in October 2008.

Initially the automation portion of the activity focused on upgrading the existing exclusive registration system and database of the CRA. After the contract for the development of the software was awarded, the existing CRA was merged with several other entities to become the Internal Trade Development Authority (ITDA).

Commercial Registry System

The objective of the new Commercial Registry system was to computerize the activities of the functional departments within CRA. In order for the new registry system to be able to deliver e-services and satisfy the dual goals of providing services to the CRA customers while helping the CRA offices to become a modern and efficient organization, several high-level functions were specified for the design of the new system. The components included the following:

- **Name Reservation:** Supports online pre-reservation of natural and legal entities names at the Commercial Registry. It also interfaces with the Authority Trademark Registration system so that both organizations can search and compare names. The system also automatically rejects any name already used or reserved.
- **Preregistration:** The system maintains a status of all transactions entering the system from the time a preregistration of a natural or legal name reservation is started until the registration is finalized by issuing the certificate or other type of transaction.
- **Registration:** Provides sufficient data entry of registration data so that the registration transactions can be completed and approved assuming the customer had provided all the required documentation and issue (print) of a formal Business Registration Certificate. Online renewal of company registration and modification to certain registration data shall also be available.
- **Reporting:** Automatic daily summaries are produced by transaction type, by employee or department, and by transaction status. These are provided online and made available to the appropriate office management to control and measure work performed, indicate backlogs of work, provide information with which to reallocate work or seek additional resources, and overall office performance.

- Web Portal: Provides clear instructions of what documents and other information are required for each type of transaction and for each type of company or individual who wishes to initiate a registration transaction. It shows all forms and a step-by-step example of how these are filled out correctly, what common mistakes can be avoided, and a list of Frequently Asked Questions (FAQ) and answers. Forms are available online and for printing.
- Document Management System: Supports a variety of scanned documents and is interfaced with the Commercial Registry system.
- Case Tracking: Supports a manual review and approval by managers before a registration can be completed. Registrations in process may require additional data entry or reviews by the customer window employees.
- Interfaces: A real-time exchange of information capability in a secure environment is provided to various agencies and organizations, such as the Chamber of Commerce, GAFI, Commercial Courts, Custom Authority, Department of Statistics, ETA, and the Trademark System in the CR office.
- Help Desk: Provides support for users. It is the single access point for any IT help request by system users.

A Change in Scope “Unified Registry”

MTI decided that a “Single Window” or “unified registry” would be incorporated into the current automation effort already in progress. The ministry wanted to combine and incorporate the three existing registries, including the CRA, IDA, and GOEIC, into the design of the ongoing CRA registration activity. This was in line with the Government’s declared policy of “Procedures Simplification.”

Up to this point, good progress was made with regard to the development of the legal and IT requirements as well as the IT and management training for Commercial Registry Managers and officials. The CRA Web portal was launched and several of the newly developed modules were tested. Although the requirement for a unified registration system had been mentioned in the original RFP, its impact on the program schedule was unknown.

A Presidential Decree for the implementation of a single registry (import, export, industry, and commercial agents) was issued in January 2009. Two successful workshops took place in Alexandria with CRA, IDA, and GOEIC representatives as well as with MSAD officials. All those representatives approved the unified registration form, workflows, and centralized database schema.

This major change in the project design, which came late in the development process, seriously impacted the implementation schedule. It was now necessary to work with the additional entities and come to a consensus on the final configuration of the new system. Although in theory, representatives of three entities have already approved the unified registration form, workflows, and centralized database schema, when it came to practical implementation, many details remained to be worked out.

Additionally, the physical location of the servers and network equipment had not been finalized. Originally, the CRA had planned to build a data center at its existing headquarters in Nasr City. Later it was decided to outsource the hosting of the equipment to a government-owned data center in 6 October City. There was a several month delay in the finalization of the co-location agreement. The physical data center equipment installation was completed in June 2010. Still missing were active communication lines. Until the communication lines are installed and activated, no final configuration of the network equipment is possible and no live testing of the production system can be undertaken.

As of the close of TAPR II in October 2010, the system was not yet operational. All of the development work, stand-alone testing and verification, and services were completed by the Sakhr Software except for items which were delayed for reasons outside the control of the subcontractor. These included the following activities:

- Training of 80 end users on the live production system.
- The e-payment framework which was developed but not tested because there is no agreement with a bank to provide the service.
- The interface with the Trademark system was developed, but not tested with the ITDA.
- The data migration script was developed and fully tested on two offices that resulted on 88% and 90% records being migrated. MSAD was unable to provide a cleansed unified database for the other offices; therefore, data migration could not be completed.

As a result of the above, Deloitte negotiated a reduced scope of work and a reduction in the total value for the fixed price contract with Sakhr Software. Sakhr agreed to the adjustments on the activities which either were not started or not completed. It was further agreed that Sakhr did the best they could under the circumstances, but given the time constraints, these items could not be completed as planned.

Potential Areas for Further Progress

To improve the prospects of sustainability of the modernization reform after the end of the TAPR II Project, the ITDA will require ongoing technical assistance. Additionally, Sakhr Software should receive a follow-on contract to complete the unfinished items. The new agreement should include at least a one-year service-level agreement for the operations and maintenance of the system and to incorporate changes into the system will no doubt be required in the near future as the legal and regulatory streaming process continues within Egypt.

E. 6. INDUSTRIAL POLICY AND PARKS PPPS

The development of Industrial Zones (IZs), especially those developed, operated, as well as managed by the private sector, is an important component of realizing GOE's vision of export and FDI-led economic growth. Historically, Egypt has followed a 1970s model of IZ development, entailing a direct role by government in both the development and regulatory areas. As a result of following this model, Egypt faced a substantial competitive challenge from the Middle East and North Africa countries, which have successfully launched and maintained dynamic IZ programs that are presently driving and increasing inward investment as well as value-added exports to their economies.

More than 200 industrial parks in Egypt are owned by either the Egyptian national government or by individual governorates. Many of these have not produced the type of economic growth and results that were anticipated. In 2006, the GOE created a new organization, the Industrial Development Authority (IDA), to take over responsibility for the national zones in order to promote more effective development. TAPR II supported IDA from early on, helping identify options and develop a strategic plan for the organization. Some form of PPP was sought from the outset. After considerable discussion and a marketing analysis of potential concessionaires for industrial zones, IDA developed a general approach to concessions of the zones. At least three zones have so far been contracted, essentially sold, to private operators.

In 2006, MTI requested TAPR II's assistance to support the activities of the newly established IDA of Egypt. Created by Decree No. 350 of 2005 as a dependency of MTI, IDA inherited the functions and staff of the General Organization for Industrialization (GOFI). The Decree assigned IDA with the role of being the focal point for industrial policy implementation and regulation. In addition, it assigned IDA with overseeing of IZs in Egypt and introducing ways of engaging the private sector in their development.

MTI considered the development of IZs, especially those led by the private sector, as an important part of realizing its vision of export and FDI-led economic growth. This vision represented a substantial break with the publicly led IZ development model predominant during the period of 1970-2006. MTI's interest was centered on enhancing the performance of IZs and to this end, relied on IDA to introduce the development of IZ projects driven by PPPs. Market appetite for the activity indicated considerable interest as expressed by prospective developer groups from Singapore, Qatar, Abu Dhabi, and other countries. Concurrently, IDA conducted market consultation activities that included a study tour, led by its Chairman, to Southeast Asia (Vietnam and Japan) during Q1 of 2006.

TAPR II's engagement with IDA initiated in Q1 of 2006 with an assessment report on the publicly led IZ program that included recommendations on steps required to introduce the PPP IZ development model in Egypt. Subsequently, IDA and TAPR II initiated the process by which the New Generation of IZs, as the PPP IZ model was labeled, would be introduced in Egypt.

Although the effort was transaction-driven in its first stage, it soon became apparent that to achieve the proper sustainability levels, the agency would need to transform itself into a modern organization capable of leading the industrial sector to higher competitive levels. Also envisioned was the need for IDA to integrate the private sector into its policy formulation and implementation processes. To this end in the latter part of 2006, IDA agreed to expand TAPR II's support and pursue two concurrent main objectives:

- Introduce a new approach to industrial zone development in Egypt through PPPs
- Support IDA's transition to a modern industrial authority driven by an accountability ethos

It is important to note that all activities delivered during this support were of a capacity-building nature. The principles applied were on-the-job training while following the cornerstone concept of introducing and following processes rather than one-off tasks to ensure replication by IDA. Action plans with timelines along with templates, rather than descriptive or anecdotal reports where the tools applied in all aspects of the program and served as the means to IDA institutionalization of the technical assistance effort.

A major objective of the TAPR II's support to the IDA was to help convert the organization into a world class industrial authority by providing the necessary platform for the organization to achieve its Vision and Mission.

IDA agreed to work with TAPR II in the implementation of a cross-cutting effort that included the following five overarching components:

- PPP transaction development
- Strategic plan preparation and implementation
- Change management and business transformation
- Organization and human resource development
- Marketing and research capacity building and development

To implement the program, IDA and TAPR II sculptured a partnership that established a team structure that ensured proper IDA absorption of TAPR II's technical assistance. IDA provided a "consultants office" within its premise with all the necessary infrastructure and telecommunication capability at its cost. These two elements were the mainstay of the program, providing proper follow-up, management updates on progress or lack thereof, quickly addressing and remedying constraints, as well as establishing a means by which IDA would receive knowledge transfer from TAPR II specialists. At the request of the IDA, TAPR II assistance, which was due to be phased-out in 2008, was extended to May 2009, by which point all agreed tasks, as per original request for support from IDA, were accomplished.

Key Accomplishments

Organizational Development package of organization tools was prepared as a result of intense consultation with IDA key counterparts. The process resulted in the successful establishment of a change management group that incorporated old and new generation personnel. A new and modern organization chart was prepared, approved by IDA top management, and subsequently approved by the IDA Board of Directors. Additional organization development tools submitted to IDA included:

- Functionality table based on Decree 350 mandates.
- Job descriptions, including position qualifications, tasks/responsibilities, etc., for mid-management and principle technical positions.
- Staffing strategy and agency transition strategy from old functionalities (GOFI) to those stipulated for the new organization.
- Authority definition guidelines were prepared, defining the relationships between the organization's positions.
- Manual of standard operating procedures (SOPs)

A Strategic Visioning Workshop was successfully conducted with key public and private representation along with the IDA Board of Directors. A new Vision and Mission statement were defined and subsequently approved by the IDA Board of Directors. Concurrently, a three-year Corporate Strategic Plan was prepared and also approved by the Board of Directors.

TAPR II established a new PPP Transaction. This was an outgrowth from a Developer Consultation Workshop held in July 2006. The Workshop provided IDA with valuable inputs from potential local, regional, and international private IZ developers. Concurrently, the event tested the market appetite for private IZ development in Egypt and generated 18 concrete leads from prospective developers. A total of five to six concrete proposals of IZ Greenfield development, by private concerns were submitted to IDA by March 2007. As of the close of TAPR II, there have been four successful first phase tender processes which have resulted in 4 IZ PPP agreements. TAPR II also prepared a Concession Contract that incorporates international best practices for these transactions while ensuring the contract's local juridical compatibility.

TAPR II greatly strengthened and enhanced the marketing and research capacity of the IDA through a "learning by doing" training approach which proved to be an extremely effective tool. IDA recognized the small number of effective staff members were able to constitute a new core for a modern marketing department and the higher remuneration implications for employing and retaining this team. Core members of the team had also acquired some basic market research skills, plus an enthusiasm and sense of purpose while organizing the delivery of the first Cairo International Automotive Conference. This new capacity was used initially to successfully engage the automotive sector.

IDA's productive engagement with the automotive sector created a replicable model driven by a strategically valuable sector, and provided the framework for future engagement of other sectors. Proper trend analysis of the automotive sector from the outset provided a solid marketing framework that was able to credibly engage the automotive industry investors with a clear understanding of their investment pull factors. IDA has received considerable positive feedback from potential investors within the investment cycle recognizing the agency's ability to deliver meaningful information within their respective due diligence process leading to investment decision.

Egypt now has an investor pipeline of over 500 companies in the automotive sector with 12 projected new investments representing inflows of US\$240 Million for 2009. By June 2009, seven investment projects had already been secured.

The experience of the automotive sector as a research and marketing model is now expressed in a three year marketing plan featuring the same principles in four additional sectors:

- Textiles and ready-made garments
- Shipbuilding repair and maintenance
- Medical devices
- To be selected from White Goods and Agricultural Industry

Publication of IDA's Marketing General Department "Attraction and Promotion Manual: Investment Targeting"

This incorporates the methodology employed by IDA's Marketing General Department with its focus on close collaboration with industry sector stakeholders, building on the needs of existing investors as an important guide toward the needs of new investors, which IDA is targeting.

Potential Areas for Further Progress

Although the achievements of capacity building at IDA's Marketing Department are dramatic, it is still fragile and requires further embedding to ensure the sustainability of the target investment attraction methodology. This objective would require further capacity-building support over another sector investment cycle.

In addition, the institutional framework for the Marketing Development, which evolved quickly out of IDA, requires further definition and growth. This is in order to sustain an expansion of the number of sectors being targeted for investment attraction and to represent all necessary components of a modern Investment Promotion Agency. With the IDA now merged as part of the new ITDA, some uncertainty has been introduced in the role if ITDA moving forward.

Other activities which should be addressed include:

- Industrial policy development
- Review of National Industrial Development Strategy
- Best practice investment promotion strategies/structures
- National marketing and branding — strengthening
- Aligned institutional framework for future economic development
- Cross-cutting government communication flows

E. 7. NORTH-WEST GULF OF SUEZ SPECIAL ECONOMIC ZONE (SEZONE)

TAPR II's support for the North-West Gulf of Suez SEZone and Main Development Company (MDC) were limited to two areas:

- Secure a PPP transaction for the development of the SEZone's 20.4 Km² site in Ain Sokhna
- Support the organization development of SEZone and MDC based on the mandates of Law 83 of 2002

Counterpart operational staffing and availability was a continuous challenge during the first stage of the TAPR II support effort. However, during the course of implementation of the both SEZone, MDC recruited key personnel with further staffing projected during the life of TAPR II.

Key Accomplishments

PPP Transaction

- Successful launch of an international tender to secure a private partner for the development of the 20.4 Km² SEZone site in Ain Sokhna.
- Prior to launch, TAPR II supported a three-country tender sounding promotional trip that included visits to 10 targeted premier developers in the Asia region.
- A successful tender process resulted in three concrete proposals from premier international developers.

Organization Development of SEZone

- Completed an organization development strategy plan, including organization charts, job descriptions, staffing guidelines, functionalities definitions by area and governance definition, and an organization chart development report
- Prepared a regulatory framework plan, including revised implementing regulations with recommendations on best legal process for adoption as defined by the law, high-level SOPs for SEZone Authority's regulatory functions as expressed in the organization development plan

Potential Areas for Further Progress

Following a recent GOE/GAFI mission to China, Japan, and Singapore, Mr. Ahmed Amin described some important business developments which are in development in the Far East and which may have broad implications for the Suez area. China plans to migrate some of its domestic industry to selected regions of the world — with the goal of moving Chinese suppliers closer to their key target markets. Five countries have been chosen for this; one of which is Egypt.

In Africa, the Chinese approach is to provide for the most critical needs of Africa; e.g., food, health care, and infrastructure on a pragmatic basis; of humanitarian support in exchange for access to natural resources. Based on this combined vision, China is very interested in developing a presence in Egypt, centered on the southern end of the Suez Canal — particularly in the North-West Gulf Of Suez Special Economic Zone (SEZone).

China's plan for Egypt appears to be to establish a processing and distribution center there, for resources out of Africa, targeting key markets in the Middle East, Europe, and possibly the Eastern United States. In addition, other African resources may be channeled through

the center, back to China. China is interested in developing a turnkey facility to include not only processing and assembly but also logistics, distribution, transportation, and other industry support services in the region.

The Japanese are showing interest in the other end (northern end) of the Suez Canal for a stated different reason. They want to locate some of their industries in this area to provide accelerated just-in-time delivery to target markets in Europe — without the cost or time involved in transiting the Suez Canal.

These scenarios present a challenge and an opportunity for Egypt. To manage and benefit fully from this type of development, Egypt needs to develop a viable strategic framework and integrated approach to development in the area. A joined-up approach creating an economic powerhouse/growth pole there could positively affect the entire hinterland providing a huge economic boost — socially and economically. Meantime, the business potential, which is clearly understood by the Chinese and Japanese, could be so vast as to provide a stimulus for large-scale private sector investment, making the possibility of a country-changing economic development, in the Suez area, a realistic prospect.

Egypt has a number of overlapping initiatives and entities related to industrial development, special economic zones, and foreign direct investment. They include the MTI, GAFI, ITDA (formally the IDA), the SEZones and the MDC, and the IT IDA, among other entities. Future interventions in this area should focus on the streamlining and consolidation of these entities and their programs into a coherent national development strategy for foreign direct investment and future economic growth.

E. 8. VOCATIONAL AND TECHNICAL TRAINING ASSESSMENT AND RECOMMENDATIONS

Late in the term of the project, TAPR II was requested to conduct a strategic assessment of current technical (vocational) programs in Egypt, below the university level, and to determine how these current programs contribute to employment generation and productivity improvement. The assessment was limited to industrial/technical training and excluded commercial and agriculture. On completion of this review, TAPR II facilitated a workshop with key stakeholders with a view to soliciting which sectors may be regarded as a priority moving forward. On conclusion of the workshop, TAPR II produced a detailed report with recommendations on which sectors should be targeted, the skill-sets required, and what/how training providers should be used, as well as a proposed high-level work plan on how to move forward.

Key Accomplishments

The work was divided into two phases:

Phase 1

Phase 1 was to conduct a review of the existing training institutes, private programs, including donor-funded programs, e.g., EU Technical Vocational Education Training (TVET) program, the Mubarak-Kohl Initiative, Leonardo Da Vinci School, Don Bosco School, and GOE programs targeting high school graduates. The government entities active in this area were MTI, Ministry of Education (MOE), MOI, and the Ministry of Manpower (MOMM). The review was based on a desk study as well as meetings with key stakeholders. The review covered (a) technical areas addressed by these programs, (b) training capacity of the organization, and (c) criteria for selection and acceptance of students. (Programs specifically targeting agriculture and commerce should be excluded.)

At the end of this research, a report on the review was produced which included an assessment of the different programs in terms of performance, sustainability, and contribution to employment generation and productivity improvement.

Phase 2

Using the report on the review, a workshop agenda was developed to solicit ideas on how to improve labor force skills and market demands. The workshop was held on April 16, 2010. It included representatives from private businesses, GOE partners, IDA, IMC, and the Federation of Egyptian Industries. The workshop included the presentation of best practices which were particularly relevant to Egypt and a gap analysis of the skill-sets required to meet current and future workforce demands.

Potential Areas for Further Progress

At the conclusion of the field research and workshop, TAPR II presented three potential areas for future interventions.

- Active Labor Market Measures. This entails the operation of a HR Department fund with RFPs to local TVET providers, both private and public, in targeting unemployed and disadvantaged groupings in Alexandria governorate. Drawing up methodologies for a learning management system and design of a modular competence-based learning program with associated criterion referenced assessment of learning. The program would be specifically designed to match supply with demand and to enable a flexible and mobile workforce for the governorate. A key element of this is a trainee tracking system to ensure follow up on the effectiveness of the training and the employment of trainees. One of the key findings of the report was that trainees acquire sufficient skills to produce competent work, but for mainly socioeconomic reasons, they leave their jobs within a few months.
- Create a Center of Excellence in a MOMM training center. This recommendation includes the refurbishing and equipping of an existing MOMM training center and bringing it up to 2010 standards. One approach would be to establish a PPP with local industry and work in partnership to demonstrate ground-level applications of TVET best practices.
- Assist with a broad TVET policy development initiative in order to devise the unified national policy tools needed for TVET. This represents a challenging undertaking with a large number of GOE entities working in this area and many other donor groups. There is limited opportunity for success in the development of technical and vocational training in Egypt without addressing this daunting task. Some of the policies which need addressing include the following:
 - National Qualifications Framework for Egypt
 - Policy on assessment (and its Quality Assurance (QA) measures)
 - Policy on accreditation
 - Policy on determination of standards (along with the methodological framework for occupational profiling and moving forward to occupational standards and their related TVET qualifications)
 - Policy on access, transfer, and progression
 - Policy on TVET award inclusion and alignment (including the legacy TVET awards)
 - Policy on lifelong learning
 - Policy on recognition of prior learning

- Monitoring and evaluation system and QA measures in TVET
- QA of TVET providers

The three identified tasks are interconnected. None should be viewed in isolation or perceived as separate activities. In particular, the development of a national qualifications framework and other related TVET policy issues must be addressed for future technical assistance to have any sustainable impact in this area.

E. 9. CAIRO UNIVERSITY INTERNATIONAL BRANCH (CUIB) PPP

As part of the GOE's economic reform program, it has introduced the concept of PPP and initiated numerous PPP programs across multiple infrastructure and public service sectors. As experience from other countries indicates, developing a strong PPP culture and capacity within Egypt affords the country many benefits: they can accelerate the country's investment activities and introduce new sources of risk-bearing finance for large infrastructure projects.

Higher education services are vital to Egypt's continued development and are currently provided both by public universities and a small number of private institutions. However, the government's ability to continually subsidize the public universities is severely constrained. Enrollments in public universities have increased dramatically — doubling within the past 25 years. A lack of financial resources has limited the ability of the public institutions to hire the additional staff and build facilities to accommodate this growth. The net result is a drastic decrease in the quality of education by Egyptian public institutions of higher learning. As one solution, the GOE has made land grants to several public universities to assist them to diversify and to be less fiscally reliant upon government subsidies.

To achieve a positive return (social, educational, and financial) on this land grant, CU initiated the CUIB project. Partnering with the private sector, as well as other public sector institutions and nonprofit NGOs, CUIB is a means to expand and diversify CU's educational services, and to better serve the needs of students and Egypt as a whole. There is significant international precedent for partnering in higher education, particularly within the Middle East. Early-stage support for these efforts has been demonstrated by the GAFI and by the MOE.

The development of CUIB will be a massive, multi-million dollar project (with estimates between 500 million and one billion U.S. dollars). The execution of which will likely span five to ten years. As such, the technical and commercial components of the partnership arrangements will be complex. The TAPR II project has supported CU and the GOE's PPP program. During this critical initiation stage (May 2010–October 2010) of the CUIB project, TAPR II provided both detailed and strategic guidance on setting up the efficient commercial structures required to deliver the university's objectives.

Key Accomplishments

TAPR II advanced the project from the purely conceptual stage to a tangible endeavor and communicated the real scope and depth of such a massive undertaking to the CUIB team. Through meetings on project planning, staffing, budgeting, procurement, project supply chain development, and the status of the required decree, CUIB is on its way to the next phase for implementation. TAPR II developed the organization chart, job descriptions and staffing plans for the newly established CUIB project implementation unit and presented an initial project implementation budget. The CUIB initial design statement is now developed and has been distributed to international partners for comment and further development.

Dr. Seradeldin, an architect and professor at the university, has been appointed as an advisor to the CUIB project. Dr. Seradeldin has worked closely with the National Cancer

Institute and has been involved in the initial project development of the cancer institute facility on the site. International university partners had all agreed to provide support in principle to the design process.

A project plan, flowchart, tasks table, and Gantt chart have also been provided to the university for discussion. The project plan, combined with the project governance structure and the project budget, has put the CUIB team in a position to complete the business case and begin the tender development stage of the project. An Excel-based financial model was developed based on the CUIB project requirements conveyed by the CUIB operating team:

- A dynamic tool to be adjusted based on transaction type, accounting for multiple partnership scenarios
- Flexibility for conducting multiple iterations of financial analyses over the course of the CUIB project as financial inputs are refined and more detail becomes available
- Capacity to inform financial objectives and affordability targets based on capital costs derived from the design statement, operating costs derived from business and operation costs, and revenue inputs
- Visibility into further areas for data collection, CUIB team discussion, and model input

The CUIB financial model provides pro forma financial statements for each individual SPV and CUIB overall, including income, debt financing, and cash flow statements. Included in the model are assumptions tabs allowing user input to adjust for type of contractual arrangement with investor, phasing of individual projects, and sensitivities for revenues and costs. Additionally, SPV assumptions tabs allow for calculation of costs as either a percentage of overall revenues, or the option of itemizing individual costs to determine total direct and indirect SPV costs. For each individual project and CUIB overall, the model conveys the financial viability and investment opportunity through three valuation metrics: net present value, internal rate of return, and payback period. Finally, extensive one-on-one training in the structure and use of the financial model was provided to members of the CUIB Project Management Unit.

Potential Areas for Further Progress

The most mutually beneficial area where USAID could add value to the CUIB project is to the educational components. This would involve QA assistance to the development of the academic program and commercial project management to the contracting for financing, designing, construction, and operation of the educational facilities. Specifically, this would be the funding and management of all of the tasks described in the project plan related to higher education. Other areas of the site, such as the cancer institute, auxiliary commercial development, and housing components, could be left to the university and their other partners to develop.

For the above-proposed assistance to be successful, CU must complete the tasks set out in Section 1 of the project plan; namely, the registration and transfer of the site, total site layout plan, and infrastructure plan. USAID may consider providing some assistance in these areas to ensure that they are completed in tandem or prior to the initiating of further assistance to the educational components.

E.10. OTHER COMPONENT ACTIVITIES

TAPR II was requested to provide technical assistance for a full review and analysis of the new unified draft company law. In 2008, TAPR II reviewed the law and submitted detailed comments and recommendations on the new draft law to GAFI. Egypt is still in the process

of reviewing the new unified draft company law and no additional work was requested on this task.

COMPONENT F — HUMAN RESOURCES

Introduction/Where We Started

Although Egypt's broad-based economic reform program is expanding opportunities to build a more competitive private sector, it and the private sector's ability to compete in the global marketplace is constrained by an education system that does not produce graduates with the relevant skills and knowledge to meet the needs of a globally competitive economy. Exploding enrollments and poor infrastructure at the national universities, a cumbersome university governance system, a stagnant professional environment for professors, and inefficiencies in the labor market create an ever-weakening higher education system in Egypt.

Egypt's higher education institutions do not play a significant role in civil society as a venue for the exchange and debate of ideas. With very few outlets to publish research or engage in the day-to-day life of the country, universities have little capability to adapt new knowledge to the needs of the country or to develop industry linkages through research and development, alumni networks, mentoring, and internship programs — all of which are cited as critical factors in the ongoing development of high quality, relevant education (Kapur, Crowley, 2008)⁴. This, in turn, limits the interest of industry to engage universities by funding their research or investing in their facilities. The situation is getting worse for the lion's share of students. Enrollments have doubled in the last decade and the system, in many areas, is near a breaking point.

Regrettably, the economic reformers appear to have given up on the sector. For example, in 2009 the, GOE gave a \$10 million endowment to Harvard University to fund “up to” 10 Egyptians in master's degree programs per year. Egypt's private foundations are also offering scholarship programs primarily for study overseas. While expanding funding for international scholarships is laudable, unfortunately there appears to be no initiative to invest in indigenous Egyptian professional education on anything like the scale of the GOE's donations made to Harvard.

On the other hand, Egypt has a growing number of private institutions and a handful of new market-oriented initiatives in the national universities, which are beginning to enjoy somewhat more autonomy in creating new, market-focused programs that enable the universities to charge tuition, update curriculum, and invest in faculty skills. A number of foreign universities have begun to invest in partnering with Egyptian institutions and competition from private universities is putting pressure on institutions to update curriculum and introduce inquiry-based instructional methods. As modest as these initiatives may be, they represent a start in generating a greater number of quality professional graduates who will be in a position to provide leadership for overall socioeconomic development in the near term.

⁴ *Beyond the ABCs: Higher Education and Developing Countries*, Working Paper Number 139 February 2008, Devesh Kapur and Megan Crowley, The Center for Global Development.

In this context, USAID’s education activities under Component F were designed to improve the ability of Egyptian educational institutions to better respond to the needs of government and the private sector. Component F focuses on improving the quality and market relevance of professional education in key areas related to economic reform — economics, business, and law. TAPR II support for professional education included:

- Facilitating partnerships between U.S. and Egyptian universities
- Establishing mechanisms for developing skills of Egyptian faculty and administrators and linkages between employers and educational institutions
- Providing sector analysis to inform policy deliberations and planning

Component F’s deliverables are linked directly to USAID SO 16 through IR 16.2, “Trade and Investment Facilitated.” The Contractor’s defined subintermediate results for this component is 16.2.1 “Increased capacity of institutions and individuals across legal disciplines,” 16.2.2 “Increased capacity of institutions and individuals across economic disciplines,” and 16.2.3 “Increased capacity of institutions and individuals across business disciplines.”

F. 1. LEGAL EDUCATION

Law was an elite profession in Egypt during the British period (1882–1952), attracting strong student interest and providing the training ground for most future government ministers. Through much of the 1900s, Egyptian law schools were the main source of modern law and legal education in the Arabic-speaking world. A base in Egypt would therefore provide valuable opportunities to U.S. law schools that have an interest in networking in this region.

Presently, the minimum score required for entry into law faculties has become relatively low compared to other disciplines, such as medicine and engineering, which have become the most coveted faculties. The schooling requirement for lawyers in Egypt is a bachelor’s degree, the LL.B., which is a professional training program rather than a broad, U.S.-style liberal education curriculum. The LL.B. holder is officially registered as a practicing lawyer after a period of employment at an appropriate lawyer’s position, subject to Egyptian bar screening. There is no bar exam, although there are examinations in the system by which qualified lawyers from other countries can become able to practice in Egypt.

The CU and University (AU) law faculties are part of the GOE’s national university system. As of 2007, each had more than 20,000 undergraduates enrolled in their LLB programs. Post-LL.B. offerings include LLM and LLD degrees and specialized diplomas at the master’s degree level. Some members of the law faculties have pursued their advanced legal studies outside Egypt, most often in France, but sometimes in the United States or the United Kingdom.

The CU Law Faculty has a program with France’s University of Paris (Pantheon-Sorbonne) for an undergraduate degree and a graduate degree in law. The program is jointly administered and courses are taught primarily by French professors. The graduates of this joint degree program have the same rights and privileges of a holder of the degree in both Egypt and France, including admission to the bar of both countries after fulfilling the other bar requirements. Ain Shams University, another national university located in Cairo, also has support from the French government for its law faculty’s French section.

Egypt’s leading private university, The American University in Cairo (AUC), has a Department of Law that offers an LL.M. and a master’s degree in international human rights law. No other private university has a law faculty at this time.

The TAPR II diagnostic of legal education and the project's subsequent discussions with the faculties of law at Cairo and Alexandria University led to an agreement between the universities and USAID as to the specifics of a new assistance activity.



Key Accomplishments

LLM Twinning with Cairo and Alexandria Faculties of Law

A competitive solicitation and follow-up requests for concept papers from U.S. law schools in 2006 resulted in a plan by the University of Indiana-Indianapolis School of Law (IUPUI) to implement joint LLM programs at the CU and AU. The IUPUI program was launched in the 2008–2009 academic year, by way of a direct \$6 million three-year grant from USAID. IUPUI's three-year plan was ambitious and aimed to build capacity within the CU and AU faculties of law with an emphasis on international business, and trade and investment law. The new program offers an interactive and practical educational environment where students are trained on thinking critically and solving real-life legal problems. The IUPUI LLM degrees would be the first granted in Egypt.



TAPR II provided substantive administrative and technical assistance to ensure the program started on time and with the sufficient prerequisites, including:

- Funded and managed the renovation of facilities and procured IT equipment and library materials to ensure facilities were upgraded to a level of quality commensurate to the standards of the Indiana University (IU) program in Indianapolis. TAPR II procurement assistance totaled \$940,000.
- Renovated facilities to equip the Egyptian faculties of law with modern classrooms, lab, library, office, and study space. TAPR II refurbished and replaced windows, flooring, doors, furniture, air conditioners, bathrooms, bookshelves, and other accoutrements of a modern professional education facility. TAPR II procurement assistance totaled \$450,000.
- Installed and configured computer networks and workstations to connect to the IU-Indy system. This provided access to Internet-based journals and research tools such as WestLaw and Lexus/Nexus. Installed videoconferencing equipment at each site and procured an initial start-up supply of books for the library collection. TAPR II procurement assistance totaled \$490,000.

Start-up support also included substantial assistance in marketing, student recruitment, activity planning, staffing, contracting, and other areas as needed to help speed the launch of the operations of LL.M. program. TAPR II continued ad hoc advisory support on management issues throughout the course of the first year. The first cohort of LLM students started in January 2008 and graduated in April 2009 — about 10 students in AU and 30 in CU. The second cohort started in October 2008 and graduated in June 2010 — about 20 in AU and 35 in CU.

The AUC Department of Law Accreditation

The scope of work and parameters of TAPR II technical assistance for The AUC was developed during the annual work plan of 2007. Work began in April 2007 to support the law department's development of a five-year business and strategic plan related to the following areas:

- Feasibility of American Bar Association (ABA) accreditation for a new JD program and/or credit transfer arrangements with ABA-accredited U.S. law schools.
- Market analysis of the legal profession in Egypt and the Gulf to inform the strategic planning process with data on the level of demand among employers and prospective students for various degree programs. The study will provide information to aid the Law Department in updating current courses with market-relevant data.
- Law Department Strategic Planning and "Branding" including market-based opportunities to develop a vision for continuously improving institutional operations, curriculum, faculty, outreach, and fund-raising.

As a result of the strategic planning, AUC provided significant institutional support to the law department in areas identified in the 2007 work plan. For example, the university invested in an administrator for the department, freeing staff for research and upgrading courses. AUC also invested in visiting professors from U.S. law schools that provided mentoring to junior AUC faculty and taught classes in the LLM program. While TAPR II's role was limited, it seems to have been well placed and achieved a remarkably high rate of return on the investment.

Potential Areas for Further Progress

The grant to the IU program is only for three years. It is extremely optimistic to believe that this institutional strengthening program can become self-sustaining in that short period. USAID should consider what follow-on support may be appropriate and necessary. Careful consideration should also be given to providing supplementary support to enhance the prospects of success of the activity.

F. 2. ECONOMICS EDUCATION

Faculty Development at CU Faculty of Economics and Political Science

According to a draft program statement by USAID on investigating options for capacity building support to Cairo University Faculty of Economics and Political Science (FEPS), "Government officials, policy makers and independent think tanks indicated that both undergraduate and graduate studies of economics in Egyptian national universities are overly theoretical and students are given no experience in applied research. There is a dire need for: i) enhancing the skills of economists entering service in GOE economic ministries both those just leaving university and those who are already working there (dealing with a broad range of policy issues, including monetary policy, exchange rates, fiscal policy, tax policy and administration, budgeting and expenditure management, debt management, social safety nets, and subnational government finance) and ii) upgrading the capacity of economics professors."

Key Accomplishments

TAPR II supported the start-up of a twinning arrangement between CU Economics Department and the Andrew Young School of Policy Studies of the Georgia State University (GSU). In August, 2008, USAID's Higher Education Development (HED) program, through a cost-share arrangement with USAID/Egypt, awarded a three-year, \$400,000 grant to GSU's Andrew Young School of Policy Studies to form an institutional partnership with FEPS. As a result of this partnership, the quality of courses for teaching research skills was upgraded and it provided professional development opportunities to faculty to improve teaching methods and research.

Potential Areas for Further Progress

USAID should evaluate the effectiveness of the GSU twinning arrangement with CU. Based on this evaluation, USAID will need to decide if future support for economic education is required to meet the needs of the GOE policy makers and the private sector.

F. 3. BUSINESS EDUCATION

Georgia State School of Business/Cairo University Faculty of Commerce Partnership

In mid-2007, USAID HED awarded a grant to GSU's Robinson School of Business to improve the market relevance of Cairo University Faculty of Commerce (CUFC) undergraduate English section curriculum. In particular, it targeted areas such as accounting and finance so that graduates are better prepared to meet international professional standards of knowledge and ability. The program included substantial emphasis on faculty development and training in curriculum planning and development, teaching methods, and case writing. Further, the program developed linkages with business leaders in the private sector, a key element to sustainable improvements in CU's programs. TAPR II provided administrative support to the partnership and limited technical assistance and advice to GSU and CUFC program design and administration.

Twinning between Alexandria Faculty of Commerce and U.S. Business Schools

TAPR II helped to identify a U.S. business school to partner with the Alexandria University Faculty of Commerce on a program centered on strengthening and jointly implementing Alexandria's existing Executive MBA program. The partnership developed a business plan covering faculty skills, curriculum, outreach to the business community and other stakeholders, and fund-raising for long-term program financing. The partnership was funded through direct Cooperative Agreement between USAID and the business school.

The AUC

TAPR II leveraged a \$250,000 private donation to the AUC management department to establish the El Khazindar Case Development Center (KCC). The center serves as a clearinghouse for business case studies about companies in the Middle East and North Africa region. Published cases are available online in English and Arabic to training and education institutions to enrich the curriculum with relevant content related to doing business in the Middle East. In the near future, the KCC plans to provide training to professors and business educators in student-centered teaching methods, and case writing and provide a venue for professional networking.

Key Accomplishments

Georgia State School of Business/Cairo University Faculty of Commerce Partnership

TAPR II helped establish a market-based twinning partnership between CU and GSU business and economics to upgrade curriculum, faculty skills, administration, and outreach. As a result, CU introduced new specializations in the undergraduate curriculum in marketing, finance and accounting. The new academic program was approved by the Minister of Higher Education on September 24, 2008. It included a two-year preparatory program for selected students admitted to the CU Faculty of Commerce English section followed by two year specialized tracks in marketing, finance, or accounting.

With the annual tuition set at 20,000 LE, initial forecasts predict the program to become self-sustaining by the end of the GSU grant period. The seed funds provided by the grant pay for GSU staff time in curriculum planning and design, professional development for CU professors and administrators in Cairo and Atlanta, and visits to Egypt by GSU professors to co-teach classes, facilitate outreach sessions with the private sector, and mentor junior Egyptian faculty in research. CU pays all local costs such as administration of the program, professor salaries, books, Internet subscriptions, facilities, and the purchase of a limited amount of new equipment. GSU approves professors selected to teach in the program.

Other accomplishments included:

- Freshmen cohort of 38 students started classes in October 2009
- Visiting GSU professors conducted two workshops on student-centered teaching
- Study tour of CU dean and administrators to GSU exposed CU staff to methods of outreach, fund-raising, alumni relations, curriculum planning, and student services
- GSU designed curriculum for marketing and finance tracks
- GSU faculty delegation upgraded the entire Arabic section curriculum
- Three junior faculty from CU traveled to GSU for mentoring/professional development
- Dean and Vice Dean traveled to Atlanta and three visiting professors from GSU visited Egypt for outreach, co-teaching, and advising on curriculum
- Dean of CU established advisory board and outreach roundtables with potential donors and employers
- Established summer Internship program for students in Egyptian companies
- Introduced English language and soft skills training program
- Adopted Egyptian accreditation standards in the program to model QA practices within the Faculty of Commerce



New CU Partnerships with Florida A&M University and the Brunnell School of Business

CU is continuing to use the GSU partnership as a trigger to eventually reform the whole school. CU is leveraging USAID's investment in the GSU/Robinson College of Business Partnership and incorporating valuable lessons learned to strike new international partnerships with U.S. universities, including:

- Florida A&M University — CU signed an MBA partnership with Florida A&M University. CU reported that the GSU program boosted Florida A&M's confidence. Students will earn an Egyptian MBA and a special certificate from Florida A&M. A Doctorate of Business Administration (DBA) program is also in the works. Without USAID's assistance, CU reports the deal would have required significant investments of political capital with the approvals through the ministry and time better spent improving academic programs.
- Brunnell School of Business (UK) — CU is close to finalizing a deal with the Brunnell School of Business for a DBA. The program will offer the Brunnell DBA degree for junior faculty and professionals from across Egypt and the region. Students attend classes in Egypt and defend dissertations in the UK. The GSU method of faculty quality control and selection criteria will be adopted by the British Economic and Social Research Council, the UK-based accreditation body. Like the Florida A&M partnership, CU reports that confidence in the system was greatly bolstered by this experience and approvals were rapid.

The AUC

TAPR II provided assistance on developing the KCC business model and training to produce an inaugural set of case studies published by the center. TAPR II funded two workshops (May 2008 and August 2008). Twenty-seven participants representing 12 universities and training firms attended the TAPR II case-writing workshops. Due to the TAPR II funding cuts, the final workshop and production of cases were eliminated from the Component F planned activities. Notwithstanding, the KCC held its final workshop on its own and produced eight case studies.

Potential Areas for Further Progress

As in the case of the legal education grant, the greatest concern to the continued existence of these programs is the short duration of the grants. USAID should consider what follow-on support may be appropriate and necessary. Careful consideration should also be given to providing supplementary support to enhance the prospects of success of the activity.

F. 4. OTHER ASSISTANCE

ENCC Roundtable on Higher Education

The ENCC held a roundtable to stimulate discussion among Egypt's leaders over the critical issues related to financing an expanded higher education system that maximizes equity and access to the most deserving students and provides a growing economy with skills for competitiveness. The roundtable format was designed to allow free discussion among disparate stakeholders in an objective, private setting. The objective was to build dialogue among leaders of universities, the private sector, and government to support policies to strengthen the quality and relevance of Egyptian higher education.

Competitiveness and the Ministry of Higher Education (MOHE) Conference on Higher Education Finance

The Ministry of Higher Education MOHE conference: *Enhancing Governance and Diversifying the Sources of Financing in Higher Education for Quality and International Competitiveness* included the same speakers from the ENCC roundtable with additional speakers from the MOHE, local universities, ENCC, and international experts funded by the Fulbright Foundation.

Specific results from the roundtable and conference are hard to assess, but as a tangible follow-up, TAPR II contributed heavily to a policy brief for publication that summarizes the conclusions and analyzes data on Egypt's performance.

In the paper, the ENCC proposed an interministerial, high-level working group including the MOHE, the private sector, universities, MOF, MTI, other ministries and parliamentarians to broaden the national discussion about higher education reform. This working group laid the foundation for a system in which beneficiaries of higher education contribute to its cost.

In the future, the work group could also sponsor a broad public awareness campaign to inform future decisions about higher education reform and commission a detailed feasibility plan to outline a tuition fee system that promotes equity through loans and scholarships.

Raising Awareness about Quality and Relevance: The ENCC University Rankings System

Amid the high profile discussions of global and regional leaders at the WEF's May 2008 gathering in Sharm El Sheikh, improving the quality and market relevance of education emerged repeatedly as the key to sustaining Egypt's transition to a knowledge-based economy. In the words of Dr. Hossam Badrawi, Honorary Chair, ENCC, "the competitiveness of any national economy depends primarily on the quality of its HR and their qualifications as growth enablers."

In response to this alarming trend, the ENCC issued a "call to action" to bring together the education establishment, economic reform ministries, and businesses to turn rhetoric into action. In June 2008, the ENCC established a subcouncil to promote quality and market relevance in professional education, and with support from TAPR II, the ENCC produced a report proposing a policy advocacy agenda and a series of "quick wins" to demonstrate competitive practices in higher education.

The "quick wins" included establishing an independent ranking of Egyptian universities to spur competition and raise awareness about issues affecting quality. The ENCC supported reform champions in the university system and built on USAID-funded partnerships with U.S. universities such as the GSU/CU programs in business and economics and the IU twinning program with Cairo and Alexandria Universities in commercial law.

According to the WEF's Global Competitiveness Report, the overall quality of Egypt's education dropped by 11 places, from a rank of 69th to 80th. In higher education, the results were even worse: Egypt's ranking tumbled by 20 places, from 80th to 102nd between 2007 and 2008.

Representing a business community that cites an "inadequately educated workforce" as a key impediment to doing business, the ENCC is uniquely positioned to raise the profile of education on the economic reform agenda and bring together leaders from government and the private sector to take action. Concludes Dr. Badrawi, "Better quality education is the key factor for progress including combating poverty, improving quality of life, participating effectively in political life, and ultimately, benefiting from the fruits of economic growth."

Key Accomplishments

ENCC Roundtable on Higher Education

Two international experts presented papers and facilitated discussions for the 40–50 participants which included senior staff from public and private universities, MOF, MOHE, and business:

- “A World-Wide Look at Reform in Higher Education Finance” presented by D. Bruce Johnstone, State University of New York at Buffalo. Bruce Johnstone is a distinguished service professor of Higher and Comparative Education and Director, International Comparative Higher Education Finance and Accessibility Project.
- “Cases in Reform of Higher Education Finance” presented by Dr. Stephen Heyneman, Vanderbilt University. Dr. Heyneman is a professor of International Education Policy.

Competitiveness and the Ministry of Higher Education MOHE Conference on Higher Education Finance

In producing the policy brief, TAPR II project advisors specified reforms for advocacy within the GOE and with the public include:

- Diversifying the sources of higher education finance beyond the government — including expanding the number of private nonprofit institutions
- Targeting public scholarships to students
- Introducing a tuition fee program and a means-tested student loan scheme and allowing students to choose the best institution for their needs
- Increasing the autonomy of university management

Raising Awareness about Quality and Relevance: The ENCC University Rankings System

TAPR II reviewed current literature on university rankings and examined methodologies of leading ranking systems to present an analysis of 40 indicators to choose from. The purpose was to aid the HRCC in a discussion to select 5–10 indicators for ranking selected faculties in Egyptian universities. The chosen indicators aligned with the purpose and objectives of the ENCC; measured quality; reflected data that is available and reliable; are replicable in the future to apply to faculties not being measured; and consider complexity of data collection, analysis, presentation, and cost. After extensive discussions, the HRCC selected the initial indicators to use in ranking faculties of Information and Communications Technology engineering, telecommunications, and commerce.

Potential Areas for Further Progress

The university ranking system needs to be followed up on and implemented. This is a key first step in raising the general awareness of the deteriorating quality of Egypt’s public higher education system.

COMPONENT G — PROGRAM SUPPORT

Introduction/Where We Started

Component G provided USAID’s Egypt Mission Economic Growth Program with direct programmatic support for TAPR II and USAID’s SO 16 activities. Component G team members monitored progress toward Operational Plan (OP) SO 16, as well as TAPR II benchmark indicators, and provided support in monitoring the implementation of reform policies for disbursements under the new cash transfer program.

The overall goal was to enhance the efficiency and effectiveness of OP SO 16 monitoring, evaluate Egyptian achievement in obtaining funds under the new cash transfer program, improve the availability and dissemination of information on economic reform to the general public, and provide opportunities to solicit greater involvement of civil society in the reform process. TAPR II conducted a number of activities to prepare and disseminate economic information, utilizing tools and resources to provide greater access to information to the Egyptian public in support of reform efforts.

Component G’s deliverables map back to USAID SO 16, as the deliverables support the three IRs detailed in USAID’s 2000–2009 Strategic Plan Update.

Unlike other components within TAPR II with a fixed, yet flexible, scope of work, Component G work epitomized the concept of a demand-driven delivery of technical assistance to both USAID and the GOE. In Year 1, only a few key areas were spelled out in

detail — DSP II (cash transfer) Financial Sector Reform monitoring and benchmark verification, Monitoring and Evaluation (M&E) activities of USAID programs and projects, and some information dissemination efforts, namely the *EGlink* newsletter, the *EG Bulletin*, and Economic Growth Web site.

Within a couple of months of project launch, however, Component G responded to an urgent call from the Minister of Investment regarding housing information and analysis. The initial request for support in January 2006 evolved into a full-scale, multi-phase study that provided both the MOI and Ministry of Housing (MHUUD) a wealth of information on critical assessment and areas of policy reform. Similarly, Component G staff responded quickly to several requests from MOI to provide targeted support in the identification of best practices and success stories of recent cases of SOE privatization in Egypt, and performed a diagnostic on several GOE-owned retail chains that were under consideration for privatization.

Component G

Key Accomplishments

- First Egyptian National Housing Demand Study conducted in 30 years
- Monitored and evaluated USAID Mission program results on the OP
- Prepared verification reports and summary benchmark status reports for the cash transfer programs
- Implemented a successful grants program in support of economic growth activities
- Enhanced and maintained the USAID Economic Growth Web site
- Published the *EGlink* newsletter and the *EG Bulletin*

As requests came in, TAPR II responded in a timely fashion, while juggling the technical demands of the GOE counterparts and the financial limitations of USAID. Component G successfully met these challenges and delivered all requested technical support to the satisfaction of the government counterparts as well as USAID, while consistently meeting deadlines. Many, if not all, deliverables continue to be used by government counterparts as reforms continue after TAPR II.

G. 1. HOUSING ACTIVITY

In early January 2006, the GOE was struggling to meet the objectives of President Mubarak's National Housing Program (NHP) to provide 500,000 housing units to the poor. There were no reliable data to help GOE determine housing demand and preferences of the poor and no framework to reform the housing sector in terms of targeting the poor, managing housing subsidy, access to land, lower construction costs, and, among other things, inducing private sector construction of subsidized housing units.

Key Accomplishments

At the request of the MOI for more reliable data and analyses, TAPR II assembled a team of experts to provide the GOE with a full set of empirical analyses and fact-based policy recommendations regarding housing tenure, demand, supply, demanders' preferences; M&E of housing subsidy; housing information system/center; a framework for housing reform; a first-in-thirty-years comprehensive primary housing database that could be used for further analyses for years to come; and a full set of first-in-thirty years of region-specific housing studies.

The housing results were presented to the Ministers of Housing and Investment and their senior advisors. While delivering the technical work, TAPR II endeavored to strengthen the coordination and cooperation between MHUUD, MOI, and other public institutions, such as Egypt's National Institute of Statistics and the MFA. TAPR II also leveraged USAID resources to maximum efficiency by linking the World Bank to USAID activities.

The demand study was based on an in-depth survey (the first of its kind in 30 years) conducted in December 2006 that encompassed more than 9,000 households in over 3,700 buildings in Greater Cairo.

As a result of TAPR II's sustained effort, the GOE is closer to meeting the NHP objectives (including taking household affordability into consideration; thus deemphasizing ownership while promoting rentals); has a better understanding of the nature of housing demand by the poor; has launched a nascent initiative to produce key housing indicators on a regular periodic basis that will better guide policy making as well as instill more transparency and competition in the housing market; and has a policy framework to tackle the vacancy, rent control, affordability, and market transparency issues.

In addition, after the December 14, 2008, ministerial presentation of key findings of the TAPR II 2008 Egypt Housing Survey (EHS), MHUDD presented some of these 2008 findings to the prime minister and requested TAPR II to assist MHUUD to:

- Institutionalize the undertaking of the EHS within MHUUD
- Conduct a comprehensive survey and analysis of new communities to enable the GOE to address vacancy issues
- Expand the 2008 EHS to cover rural areas to assist the GOE in the future provision of housing subsidy to the rural poor
- Organize a series of workshops to raise the literacy of stakeholders on issues regarding housing finance and market

G. 2. TOWARD A BETTER UNDERSTANDING OF BREAD, FOOD, AND ENERGY SUBSIDIES

In March 2008–April 2008, the momentary disruption in the production and distribution of the heavily subsidized “baladi” bread caused social unrest in Egypt. It prompted USAID to request TAPR II to analyze the bread and food subsidy procurement system in Egypt with the dual objectives of enhancing the understanding of Cairo-based USG institutions of the bread/food subsidy issue in Egypt and identifying where targeted USG assistance may be delivered. Component G prepared a detailed presentation on the nature of the subsidy problem, with a focus on bread and food subsidies. TAPR II presented this to USAID, the U.S. Embassy in Cairo, and other USG agencies.

These presentations were well received by the referenced audiences as they met their intended objectives. However, given the political sensitivity of the subsidy issues in Egypt, USAID decided to refrain from offering technical assistance to the GOE through TAPR II in this area. From a fiscal and economic point of view, subsidies remain a crucial issue for Egypt to resolve as the total annual subsidy bill amounts to approximately 9 percent of GDP. Most of the benefits have eluded the 40 percent of poor who live either at or below \$2 per day, going instead to the Egyptians in the 4th and 5th income quintiles.

G. 3. POSTPRIVATIZATION IMPACT ASSESSMENT

In late 2006, MOI requested TAPR II support to help document success stories related to previous privatization experiences. Trying to recover from an alleged politically flawed privatization process of a large retail store (Omar Effendi), the Ministry wanted to launch a public education campaign to articulate well-documented research facts.

Key Accomplishments

TAPR II produced a number of reports on 17 privatization cases. The study brought to light several unknown facts: certain cases of privatization were deemed successful based on the process of privatization used and the commitment to a complete overhaul, whereas other cases that appeared successful on the surface did not demonstrate significant change from when they were under government management.

The research was completed and presented to the Ministry in March 2007. Since then, MOI staff has used the in-depth case studies repeatedly in their public relations and public education efforts. Further, these case studies will serve as the foundation for the voucher program that is planned for future privatizations. Critical to the success of the new voucher program is an extensive public education campaign. The results of the postprivatization study helped arm the GOE with the necessary facts to educate the public on the costs and benefits to privatization of state-owned enterprises that remain a significant fiscal burden and an economic drag on the Egyptian economy.

G. 4. PREPRIVATIZATION RETAIL STORE DIAGNOSTIC

In mid-2007, at the request of the MOI, TAPR II launched a study to assess the viability of five retail store chains slated for privatization. The assignment served as a follow-on to the earlier post-privatization study. Also, learning from the Omar Effendi case earlier, the MOI did not want to face another public outcry for having sold the country's "crown jewels" for peanuts. TAPR II was asked to carry out a complete review and inventory of all 500 retail outlets to determine which outlets carried the best prospects for sale.

Key Accomplishments

TAPR II assembled a team to conduct a thorough assessment of some 500 outlets in 26 governorates. The study focused on an outlet-by-outlet review (through the efforts of a local survey firm) to examine the viability of each store based on clearly identified indicators. To present the results of the study, the team worked with another local firm to design a geographic information system (GIS) database, whereby all the retail stores were mapped and linked to a central repository of information. The final deliverable included a comprehensive report as well as the GIS package which presented visually the results of the survey of the retail stores. The results were presented to the MOI and his advisors. The GIS tool, in particular, was well received.

Follow-on work with the retail stores began when the stores were transferred to the holding company for tourism and hotels. For political reasons, the ministry opted to work with a plan for internal restructuring until plans for full-out privatization could be brought forward. It is anticipated that these retail chains may appear as privatization contenders under the new privatization voucher program. Results from the study and the associated GIS database will serve the GOE well should they wish to do similar studies in other sectors. The above-cited studies should have positioned TAPR II well to provide similar targeted support to the MOI and perhaps the MOF as they begin to think through the new voucher privatization program. However the MOF did not cooperate any further with TAPR II in the area of privatization.

"One of the more challenging aspects of public policy reform is measuring, or trying to measure, the impact of inaction, and/or of action. There are intermediate impacts – policy or institutional reforms that ease the way for next-stage policy or institutional reforms – and final impacts – changes in real monetary variables, and, ultimately, in economic activity. Given verification measures put in place at the inception of a program, and given time for policy and institutional changes to work, and for changes in incentives to be felt and responded to, impact may be measured. In the case of the financial sector reform program, it is too early to expect much in the way of measurable impact on monetary variables. There is, however, clear progress in the way of intermediate impact as measured by significant changes in government attitudes toward financial sector reforms."

G. 5. SUPPORTING POLICY-CONDITIONED ASSISTANCE (DSP II AND CASH TRANSFER MONITORING/VERIFICATION)

The Development Support Program (DSP) II was a continuation of the initial DSP, a cash-transfer program in which disbursements were tied to the implementation of policy changes in the financial sector. Policy-conditioned assistance has attained increased importance for USAID, as the donor community has recognized aid effectiveness, rather than aid levels, as the primary measure of development assistance.

Key Accomplishments

TAPR II prepared verification reports and summary benchmark status matrices to record and provide accurate and timely information on each milestone, its status and verification, as well as disbursement amounts. These reports and matrices were presented to USAID on a periodic basis to verify GOE implementation of agreed-upon financial sector policy benchmarks and to assist policymakers at USAID and in Washington D.C. in determining disbursement status. The United States disbursed \$275 million to the GOE as a result of the completion of the benchmarks cited in the December 2006 Benchmark Verification Report.

DSP II monitoring activities were expanded in 2007 to assess several benchmarks that required more in-depth analyses. Working closely with USAID, TAPR II enlisted the assistance of specialists from other USG-funded projects/activities in late 2007 to review, among other things, the bankruptcy law, the trading of government bonds among financial traders, and the property registration law. The December 2007 verification of benchmark achievement, finalized in January 2008, enabled the United States to disburse another \$50 million to the GOE.

In July 2007, USAID requested that TAPR II undertake an assessment of the DSP II program. The purpose of the assessment was to document and assess the design, implementation, and impact of USAID/Egypt's financial sector cash transfer program. The findings of the assessment will be used in the development and design of future USAID/Egypt cash transfer assistance programs. This assessment began in late September and was completed in December 2007.

G. 6. M&E OF USAID PROGRAM

TAPR II monitored and evaluated program results on the USAID Egypt Mission OP level, the SO level, and the TAPR II program level. At the end of the contract, the OP monitoring activities included four updates of OP indicators and associated data quality assessments. The last full data quality assessment was completed in late October 2010. The SO 16 monitoring activities fall under the Performance Monitoring Plan (PMP) and contribute to USAID's annual report requirements. The project-level Performance Monitoring and Evaluation Plan (PMEP), which both monitored program results through selected indicators and allowed for in-depth evaluations of selected program activities, defined TAPR II monitoring activities. TAPR II was responsible for continued collection, validation and reporting of indicators in partnership with counterparts within USAID's Economic Growth portfolio.

Key Accomplishments

OP Monitoring Plan

In October 2007, USAID requested urgent support for the update of the OP Indicators for the Policy and Private Sector (PPS) Office. Upon delivering the requested update of the OP, USAID requested that TAPR II conduct a Data Quality Assessment of the OP Indicators across all PPS activities. The successes of both tasks led USAID to request similar support for 2008 and 2009.

SO 16 PMP

The M&E activities have included finalizing the 2006 SO 16 Performance PMP and completing the reviews and updates of the 2004–05, 2005–06, and 2006–07 SO-16 PMP. Activities and deliverables for PMP development also included an annual review of indicators and related revisions.

Project-Level PMEP

The M&E process for TAPR II played a central role in guaranteeing that it reached its objectives of economic policy formation and private sector development under SO 16. TAPR II's project-level PMEP process allowed the project, together with the mission, to define the ultimate project results and manage work by selecting or constructing indicators to measure progress toward those results and by evaluating performance on a regular basis.

The TAPR II PMEP was submitted to USAID at the end of August 2007 and then updated with data collection and incorporation of USAID comments in end of February 2008. The final update of the TAPR II Performance Monitoring and Evaluation Plan was submitted in January 2009.

G. 7. EXTERNAL M&E OF TAPR II

TAPR II Midterm Evaluation

In January 2008, USAID issued a contract to The Mitchell Group for a midterm evaluation of TAPR II. The purpose of the evaluation was to assess the current design and implementation of TAPR II and to recommend changes, if any, that would: *“strengthen the support provided by TAPR II to the GOE’s economic reform program, improve the focus and timeliness of technical assistance being provided, and sharpen the internal management (by both USAID/PPS and the contractor).”* The evaluation documented significant project successes or failures to-date, and identified possible opportunities for additional support to the GOE’s economic reform program.

It was the conclusion of the evaluation team in their final report:

“The TAPR II contract was very successful in providing key support to GOE reform initiatives. The work done was highly valued by the Egyptian clients in the great majority of cases and was directly relevant to and applied by these clients to the implementation of important reform measures. The nature of the contract did permit flexible and, in most instances, prompt, high-quality support to GOE ministries.”

Another key observation of the evaluation was the possible overly optimistic expectations of the mission and the project regarding the length of time required for full buy-in and implementation of major reorganizational initiatives:

“USAID/TAPR II may have overly optimistic expectations regarding how quickly reorganizations and IT improvements can be done in Egypt. Reorganizations take a long time to achieve success because they take hold only when staff are fully committed and come to support the reorganization. It is not sufficient, particularly in a public sector institution and particularly for complex activities, such as the Treasury Single Account, that the top management expresses support for reorganization; commitment must be developed much further down in the organization. It should be noted that the TAPR II reorganization plans usually have tried to build these commitments.”

The TAPR II Midterm Evaluation Report contained the following findings and recommendations. They are presented in the table below:

TAPR II Midterm Evaluation Report Findings and Recommendations
<p>Findings</p> <ol style="list-style-type: none"> 1. The activities under the TAPR II project have in all but a few instances been very successful. They have been responsive to GOE needs, made key contributions to solving important development problems, and been highly valued by the GOE counterparts. 2. An umbrella project, such as TAPR II, has permitted the flexible reallocation of funds among project components in response to evolving client needs. However, many of the earlier reasons for using this approach no longer appear to be present. 3. Counterparts value the support provided through TAPR II and doubt that comparable quality would be available if the GOE were directly responsible for such support under a U.S. cash grant to the government. 4. The economic studies carried out for the GOE through TAPR II have been highly valued and used directly to develop the reform agenda and specific actions. 5. The customs reform work has led to a dramatic reduction in clearance times. 6. The TAPR II support for the procurement approach for and installation of the CBE computerized real-time gross payments system was seen as of great value by the counterpart. 7. The support provided to EISA by TAPR II advisors is considered excellent by the counterpart and contributes directly to moving important reforms forward. 8. TAPR II support to EBI is importantly contributing to creating a self-sustaining institution. 9. The M&E work has been handicapped by slowness in developing and agreeing on indicators, frequent changes in USAID guidance, and misplaced emphasis. The program has been of little value in either understanding or guiding activities. 10. The management process for arriving at decisions concerning activities is seen by many counterparts as time consuming, subject to reversal, and difficult to understand.
<p>Recommendations</p> <ol style="list-style-type: none"> 1. Training is highly valued and demanded. Given the tightness of funding, low-level computer training and basic English training should be a lower priority for the time remaining for TAPR II. 2. There will be substantial unmet needs remaining in several important reform areas in which TAPR II is working when the current project is finished. Where a program of work can be clearly identified in a specific area, it may be appropriate to design a separate activity to address it. 3. Several activities are likely to require more time to become sustaining than that left in current agreements. The higher education grants, trade-related food safety activities, tax reorganization, and much of the IT work are examples. USAID needs to assess what further support will be necessary to assure their sustainability. 4. In some areas, such as housing policy, privatization, and such sensitive areas as subsidy or pension reform, the GOE need appears to be for either responsive specialized short-term consultants or the preparation by experts of basic analyses and option discussions. In these areas, as well as others where the GOE's reform intentions are evolving, a future, smaller umbrella project that is as responsive as TAPR II will continue to be of great value. 5. USAID salary maximums for certain expatriate specialists and many Egyptian professionals are an increasing problem in some areas. Possibilities for topping up by the GOE, as already occurs in some instances, should be explored for greater use. 6. USAID should pursue with TAPR II ways of strengthening the linkages between the faculties producing legal, economic, and business graduates and the market for them. 7. The EGLink newsletter appears to be of good quality and value. Carrying out a survey through the existing Web site to better engage and understand the readership and their interests could be of value. 8. Future support to MTI in trade policy reform and trade facilitation should be conditioned on strong reform commitments and a time-bound plan for their implementation. 9. The activities in the components enabling policy environment and facilitating services for the private sector need to be constantly rebalanced to maintain their focus on what is most important to the business community. 10. In higher education activities, there is a need to ensure excellent communication among all the parties involved. The need for follow-on support to the current and planned three-year support grants for the university partnerships should be assessed. 11. Given the tightening budget available for participant training, the appropriateness of supporting basic

TAPR II Final Evaluation Report

The final TAPR II evaluation was conducted in August 2010. The scope of work was to assess the design and implementation of TAPR II, to identify successes and problems, and to recommend ways to strengthen performance for future economic growth activities. The quote below from the executive summary includes a reference to the smooth transition of TAPR II when BearingPoint Public Services was acquired by Deloitte (of particular interest to USAID), and the positive perception of the GOE counterparts of the assistance provided under TAPR II.

“Begun in 2005, in the early stages of a reform-minded Egyptian government, TAPR II will end in October 2010 with a number of positive results. It is a successful USAID project. The concept of carefully selecting and developing demand-driven support for reform, while allowing easy shifts in resources when the government’s commitment to activities changes, has generally worked well under USAID management and the implementing firms of TAPR II. There was a smooth transition of TAPR II contract management from BearingPoint to Deloitte, which occurred with the sale of BearingPoint’s Public Services practice in 2009. The various government counterparts and recipients of support have expressed their gratitude for the high quality of the USAID team and the quality of consultants and training that was provided under TAPR II.”

The TAPR II final evaluation team consisted of four economists. Over the period July 19 to August 13, 2010, the team spent 15 work days in Cairo collecting data and interviewing key participants. Each TAPR II component was analyzed for effectiveness, efficiency, impact, and sustainability. The team was impressed with the work of TAPR II and the report was mostly positive in their concluding statement of the executive summary:

“TAPR II assistance was highly valued by the Egyptian clients and was directly relevant and resulted in the implementation of important reform measures. It is the conclusion of the evaluation team that TAPR II was successful in providing key support to GOE reform initiatives.”

The report did mention a few problem areas which had previously been identified by the TAPR II team and openly discussed with the USAID activity managers and the COTR on an ongoing basis.

“The evaluation did find that in several cases top-level GOE officials were extremely interested in specific reforms, but after a year or two there were changes in government ministers or other political changes that ended those efforts. Also, TAPR II information technology programs suffered delays and problems. Early enthusiasm generated by TAPR II housing and privatization studies did not generate reforms. The Capital Market Authority and initially the CBE decided they did not need much TAPR II assistance.”

The full text of the evaluation team’s findings and recommendations by component are in the table below:

TAPR II Final Evaluation Findings and Recommendations

Component A

USAID should continue to support reformers in the next level of trade and policy reforms with a more strategic and integrated approach. Future assistance should build on the success of the food safety and harmonization activities in marshalling the forces of private sector leaders and organizations to define the problems, find solutions, and influence the political process. By the end of TAPR II the NCIS (NCIS) will not be operating according to international standards and will not be sustainable. Additional training and technical support are needed. The NCIS will continue to require a high level of management by both USAID and the contractor. The USAID contract office technical representative and activity manager must continue to provide hands-on management of the NCIS, and closely monitored it through completion and turnover, to ensure it receives adequate support from contractors and the GOE so that it can achieve its objectives after the project ends. USAID should review the status of implementation of the NCIS with the Minister of Finance and the Commissioner of Customs. If all parties are still committed to completely replace the current system with the NCIS, which was designed to increase transparency and provide better information for planning and control, USAID should consider sharing the cost of technical support during the initial operation of the system to ensure the project's objectives are met. In keeping with its commitment to maintain the system following the end of TAPR II, the GOE should negotiate a renewable contract for maintenance and technical support of the NCIS. USAID could share the cost of the first year's contract with the understanding that the GOE would pay the full costs on an ongoing basis starting in year two of operations.

Component B

USAID consultant fee limits make it difficult to provide support for key financial institutions. It is also a problem in hiring local consultants. There is no need to exceed the USAID maximum rate. If the GOE wants high-priced consultants they should pay for them. On a different topic, prompt and responsive transfers of funds between contract subcomponents has been an effective way to prune underperforming activities while moving support to those with better prospects.

Component C

First, the success of USAID support depends on verified commitment for the reforms in the recipient institution, not just at the institution's highest level. Second, prompt responsiveness and easy transfer of funds between subcomponents should be continued, because they can make a project more effective. Third, IT is inherently more complex than providing advice or technical reports and depends on significant management and training of the recipients, plus a long-term commitment from the recipient to maintain the system and to provide the required personnel. The Tax Authority is well aware of the need for future support of its new IT system, particularly in the context of the nationwide rollout of the new system and the likely reorganization of tax offices. It has already begun negotiating with the existing IT providers of the system for a contract between the Finance Ministry and the providers. In this national rollout process, the Tax Authority would benefit from technical support in the form of two advisors — an IT advisor for the nationwide rollout of the system that is now being used in the pilot offices and a second to support functional changes in the offices and in the tax system, including the proposed shift to VAT in 2012. Following the model that has been successful in TAPR II, to be most effective these advisors should directly support two high-level managers in the Tax Authority.

Component D

Helped Egypt make meaningful improvements in the business environment. Champions of economic reform have been supported through effective training and customized technical assistance. Even though the TAPR project was effective in finding and supporting reform champions, the project was less successful in achieving the end goal of policy reform. The first recommendation is to strengthen government coordination with the private sector to reap the benefits of an improved trade environment and build support for further reforms. Many regulatory agencies and government institutions have started to consult the private sector, but consultative bodies need to become institutionalized and less government controlled. A future project would benefit from a representative consultative body for the overall project. Second, USAID should engage the government in a dialog on how to spread the benefits of trade and economic growth more broadly. Poverty has declined, but expectations have not, and further policy reform to open the market economy may depend on more people experiencing the benefits from it. Finally, USAID should sharpen the focus on an agreed list of major laws and other policies to be reformed, while maintaining flexibility to adjust to the changing environment.

TAPR II Final Evaluation Findings and Recommendations

Component E

Facilitating Services for the private sector, the evaluation found that the GOE, business associations, and industrial development authorities are largely satisfied with Component E outcomes and have benefited from the flexibility of TAPR II's "umbrella approach." The linkages between the Tamayouz Center and the SSBC are weak and suggest that there are mutual benefits to be derived from a strategic alignment and organizing forums for the sharing of lessons learned and planning into the future. The creation of a network of Tamayouz one-stop shops is recommended between Cairo and Alexandria and for new centers that are rolled out across Egypt. A post-TAPR II transition plan for the SSBS is recommended to set priorities, provide focus, and generate energy within the SSBC. The PPP between the GOE regulators and the Chamber of Commerce in Cairo is an excellent example of service integration, cooperation, and service-based financial sustainability.

Component F — Closed in May 2009

Component G

Demonstrated the importance of a M&E system attuned to the unique needs of the project. It proved of great value since there was the needed flexibility to deal with a continual opening and closing of TAPR II activities, and subcomponents, which could have made performance monitoring difficult. The M&E system generated the management information that the project's implementers and USAID needed to effectively manage a broad range of activities. USAID should consider using the TAPR II evaluation approach in similar projects.

G. 8. PREPARATION AND DISSEMINATION OF INFORMATION AND PUBLICATIONS

TAPR II published economic reform-related publications, including the *EGLink* Newsletter and the *EG Bulletin*, held conferences and workshops, contributed to roundtables with the business and academic communities on economic reform issues, and maintained the economic growth Web site.

Key Accomplishments

Publications

The TAPR II team assisted GOE counterparts to publish their economic data in ways that are more user friendly to potential investors, as well as local economists who monitor the health of the Egyptian economy. This provides greater access to professionally published reports and contributes to an overall enhanced image of Egypt, locally, and abroad.

EGLink

TAPR II managed the publication of the USAID Egypt *EGLink* newsletter, a quarterly bilingual publication that highlights success stories across USAID projects and has a growing distribution base of over 1,000 readers. TAPR II staff coordinated the inputs of up to 10 partner projects, drafted and edited articles, conducted in-depth interviews with key GOE reformers, and managed the layout and printing process.

TAPR II worked closely with the USAID Economic Growth Office to ensure that successes were stated in the appropriate tone and that all articles were fact based. While initially difficult to get on the agenda of key GOE reformers, as news spread, TAPR II was able to secure interviews with key advisors to the Ministers of Finance and Investment, the Tax Commissioner, and the Head of Customs. Expanding the readership significantly, TAPR II proposed that the newsletter be published in Arabic as well to capture the Egyptian audience. TAPR II argued that the minimal additional cost would offset the value-added of reaching non-English speakers, and USAID agreed.

USAID expressed satisfaction with the production of the Newsletter and plans to maintain its prominence in their public relations efforts after TAPR II. TAPR II published 15 issues of the *EGLink* Newsletter.

EG Bulletin

The *EG Bulletin*, produced approximately semiannually, summarized key policy actions and events related to Egypt's economic reform efforts for USAID Egypt and USAID Washington. News sources were monitored regularly, including print and web media of both local and international sources. News items were selected, translated, summarized, and categorized according to relevant policy area. At the close of the project, TAPR II produced nine issues of *EG Bulletin*.

USAID Economic Growth Web site

TAPR II managed and maintained the USAID Economic Growth Web site (www.usaideconomic.org.eg) for the USAID Economic Growth Office. The Web site captured regular updates of USAID Economic Growth projects; results were aggregated and uploaded, along with other relevant project reports and publications. It serves as an electronic repository for all USAID Economic Growth Project activities, housing a large number of reports, sector assessments, program evaluations, and other publications across SO 16.

To make the Web site more user-friendly and intuitive, TAPR II redesigned the Web site in mid-2007. At the peak of USAID Economic Growth activities in Egypt, the Web site was receiving approximately 8,000 to 10,000 hits per month.

G. 9. GRANTS TO EGYPTIAN NGOS

Grant Program Design

The TAPR II project selected grant proposals on a competitive basis that creatively advanced its economic growth strategic objective to strengthen the environment for trade and investment, and the two IRs: Financial Sector Modernization, and Trade and Investment Facilitation. TAPR II was prepared to provide funding to nongovernmental organizations (NGOs) with complementary, innovative, and achievable program ideas that added value and were geared towards achieving concrete, measurable results. The initial budget for the grants program was \$2 million. At USAID's request TAPR II gave priority to grant applications which addressed impediments and provided creative solutions in the following two areas: (1) competitiveness and ease of doing business and (2) consumer protection reforms.

To be eligible for a grant, the applicant organization needed to be an Egyptian NGO. Applicants who were part of the TAPR II contract teaming arrangements were ineligible to receive funds through the grant process. Each grant recipient was required to advance the goals of economic policy formation and private-sector development to support USAID/Egypt's overall goal of promoting a globally competitive Egyptian economy benefiting Egyptians equitably. Recipients had to have previously demonstrated capacity in the areas covered in the grant program.

In order to demonstrate their eligibility for the grant, recipients were required to complete and submit the Grant Application Form and certificate of Egyptian NGO registration as described in the form. All USAID-funded grants are required to comply with USG rules and regulations.

Highlights of the ENCC Grant

- Publication of three Egyptian National Competitiveness Reports
- ENCC institutional and organizational development, including vision and mission statements, the hiring of a full-time professional executive director and staff, and the development of internal policies and procedures
- Establishment of Sectoral Competitiveness Councils: for Human Resources, Travel and Tourism, and Agriculture
- Public/Private dialogue; Business Advisory Council to support the Egyptian regulatory reform efforts
- Link-ups with the best international competitiveness councils around the world. In January 2010, joined The Competitive Institute
- Signed an MOU with the U.S. Council on Competitiveness (May 2010).
- Participated in a new global network of the Leaders of Competitiveness Councils (September 2010)

These rules and regulations were summarized in the Request for Assistance (RFA) and the Sample Grant Agreement, and included for download in the original USAID Economic Growth Web site posting of RFA.

During project year four, USAID requested that TAPR II limit the grant funding to approximately \$1.2 million. As a result, the amount of funds obligated to the consumer protection NGOs was substantially reduced.

Key Accomplishments

Four grants were competitively awarded during the life of TAPR II.

The ENCC

The ENCC is the leading think tank and champion for promoting Egyptian International Competitiveness. The ENCC was targeted early on in the life of TAPR II as a counterpart for Egyptian Competitiveness Activities. The ENCC was the first grant applicant once the TAPR II Grants RFA was advertised. The ENCC submitted a detailed proposal and initial budget of \$688,000. After some discussion and negotiations, TAPR II awarded its first grant to the ENCC in early April of 2008. Due to the size of the grant and the expected speed at which the funds would be spent, TAPR II, in compliance with USAID regulations, included the provision of an external audit by a USAID-approved external audit firm each fiscal year for the duration of the grant. During the life of the grant, all external audit reports were clean without serious findings.

The initial grant to the ENCC was extended several times, finally ending on October 15, 2010. The grant funding was also increased. In June 2010, ENCC submitted a new budget and work plan and requested an additional \$350,000 and finally in July 2010, after discussions with USAID and TAPR II, another \$100,000 was added to the grant, which brought the total value of the grant to \$1,138,800.

The ENCC grant was successfully implemented and completed. All funds were properly accounted for. Technical and financial reporting was timely and the two formal audits of the ENCC activities produced no findings.

Consumer Protection Association in Maadi

TAPR II awarded a grant to the Consumer Protection Association in Maadi to work with small food producers to improve hygiene and comply with basic legal standards for food safety. The initial value of the grant was \$100,000. Due to an expected shortfall in funding for TAPR II, the grant value was reduced to \$10,000. All work was completed under the revised scope of work and the grant was completed.

Highlights of the CЕСCP Grant

- Established a network of credible consumer protection-oriented NGOs, capable of effectively performing consumer protection activities consistent with the CPL
- Conducted nine consumer awareness seminars in Cairo
- Conducted 32 consumer awareness seminars in network governorates
- Published three issues of a consumer protection magazine
- Conduct three product research studies
- Developed and launched the CЕСCP Web site to facilitate information access and knowledge transfer on consumer protection rights and issues)

Central Egyptian Society for Consumer Protection Grant

The Central Egyptian Society for Consumer Protection (CESCP) is the oldest consumer protection-focused NGO in Egypt. In its grant proposal, CESCP highlighted that Egyptians often take a passive position when they encounter acts of fraud or deceit from merchants and manufacturers. Most Egyptian citizens were unaware of their consumer rights, which are an essential part of their rights as citizens, as clearly detailed in the new Egyptian Consumer Protection Law.

The main goal of the CESCP grant was to activate the consumer protection law issued in 2006 through raising awareness among consumers, producers, and retailers. The activities focused on youth and women's groups and, producers and retailers. CESCP promoted partnership and networking among consumer protection organizations to expand their constituency. The geographical areas targeted for this activity included Upper and Lower Egypt, Sinai, and portions of Greater Cairo.

The CESCP grant was successfully implemented and completed. All funds were properly accounted for. Technical and financial reporting was timely and an informal filed audit of the books of the CESCP produced no findings.

The Consumer Protection Society of Alexandria (CPSA)

The CPSA was established in 1995, to ensure protection of consumer basic rights approved by the United Nations. Ever since its establishment, it has worked in coordination with similar organizations to ensure realization of its objectives, as it believes that cooperation and networking are key factors for the success of community work, especially in a field new to the Egyptian culture, such as consumer protection.

In line with The Consumer Protection Agency mandate and the new Egyptian Consumer Protection Law of 2006, CPSA's main objectives for its grant were enhancing consumers' awareness and encouraging their participation, and the formation of an NGO network to follow-up on complaints and ensure consumer protection service delivery in all areas of Egypt.

CPSA facilitated the role of NGOs who work in the field of consumer protection by establishing a federation of consumer protection NGOs with a view to implement the Consumer Protection Law, increase the society's awareness of its consumer rights, and develop the methodology of confronting negative practices that affect rights and interests of both consumers and producers.

The Consumer Protection Society of Alexandria undertook the noted activities (see call-out box) in implementing its grant-funded project. (Note: due to delays in receiving Ministry of Social Solidarity (MOSS) approval to receive and spend foreign donor funds, the final value of the CPSA grant was \$75,000.)

The Consumer Protection Society of Alexandria Grant was successfully implemented and completed. All funds were properly accounted for. Technical and financial reporting was timely and an informal field audit of the books of the CPSA produced no findings.

Highlights of the CPSA Grant

- Established a powerful federation between the umbrella NGO and regional consumer NGOs capable of performing all consumer protection activities stipulated by the law, resulting in increasing consumer awareness, regulating the markets and positively influencing consumer related policies
- Consumer Education and raising society's awareness
- Provided high quality consumer protection-related services and protection of consumers against unfair trade and deceptive market practices
- Ensured provision and delivery of the main consumer protection rights; right to education, safety, information, and knowledge
- Established a consumer protection information database
- Lobbied to affect consumer protection-related policies
- Ensured long-term continuation of the federation activities by establishing a foundation for income-generating activities

G.10. REPORTS AND DELIVERABLES

TAPR II issued Semi-Annual and Annual Performance Reports, Annual Work Plans, and interim monthly or quarterly progress reports. In addition to the published reports, the TAPR II Portal was the main archive for program deliverables, meeting summaries, trip reports, and other documentation generated during the life of the project.

The PMO Office also supported the M&E of TAPR II program activities, working in conjunction with the rest of the Component G team.

G.11. THE RESOURCE ACTIVITY APPROVAL PROCESS (RAAP)

TAPR II applied an innovative solution for the fielding of technical assistance advisors on the project, known as the Resource Activity Approval Process System (RAAP). This automated work flow system tracked the required approvals for fielding of all project personnel. The RAAP workflow system is a proprietary web-based application which uses email notifications to alert participants in the process that an action is required. The RAAP system proved invaluable to TAPR II and expedited the fielding of all long- and short-term project staff. The RAAP system maintains an audit record with 100% data retention of all completed requests and tracks, and alerts participants of open requests. Also, it compiles a repository of CVs and scopes of work.

USAID, Deloitte and TAPR II subcontractors had access to the system. The workflow included steps for initial scoping and technical approval of the identified resource; rate approvals; and for international resources, the required travel authorization. The RAAP system was recognized as an efficient and accurate tool which reduced costs and expedited the technical work of the project. By the close of TAPR II, the RAAP handled more than 1,200 technical missions.

G.12. TAPR II PROGRAM PORTAL

Not to be confused with the USAID Economic Growth Web site, TAPR II, throughout the life of the project, maintained a unique program portal. The portal was a shared resource between TAPR II field staff, home office staff, including subcontractors, and USAID. It was a repository for all project deliverables, the RAAP system, a PMO section for project management, including staffing pipelines, procurement files, personnel directories, and a training section to upload and store information on all TAPR II participant training activities.

Some sections of the portal were utilized heavily while others were not actively maintained. The deliverables repository, which also contained mission exit reports, and the training section were heavily utilized and considered a valuable resource to the users. Due to the size and dynamic nature of the TAPR II project, continuously updating other portions of the portal proved tedious and time consuming. Some items, such as telephone and email directories, and calendars were redundant, because most users already maintain these items in Outlook.

Potential Areas for Further Progress

Component G navigated through many implementation challenges during the course of the past five years. While Component G staff was able to manage client expectations and submit all deliverables on time, it was, however, not able to directly impact the pace at which the government would ponder suggested reforms or take necessary actions. Accordingly, many of the Component's proposed reforms, in the area of housing or privatization, still sit with the relevant ministries waiting for an opportune time for action. This is unfortunate as there is no ideal time to handle critical reforms.

Specific challenges include:

- MHUDD: TAPR II started from ground zero with little to no housing data to developing a full data set for urban Egypt. Unfortunately, it has taken three years for MHUDD to finally express a need for institutionalizing the TAPR II efforts and move forward with proposed recommendations for establishing a housing information and research system.
- MOI: While efforts on the privatization front were in full speed during the start of TAPR II, they came to a halt in 2007 with the economic factors that led to high inflation and a focus on maintaining social peace through the provision of subsidized food and bread, and preservation of jobs.
- USAID: The unexpected nature of USAID requests, such as the food/bread subsidy analysis and the OP Indicators, has required a flexible management approach that is able to reprioritize efforts and direct resources accordingly.

SUCCESSFUL METHODOLOGIES AND APPROACHES

SUCCESSFUL METHODOLOGIES EMPLOYED DURING LIFE OF CONTRACT

Accrediting Council for Continuing Education and Training (ACCET)

One of numerous key accomplishments under the TAPR II Program was the international accreditation of the Egyptian Banking Institute's (EBI) training processes and certification of select EBI programs. Accreditation is the voluntary process entered into by an educational institution whereby an accreditation body grants the institution public recognition through an evaluative comparison of the institute's compliance with the Standards for Accreditation demonstrated through documentation and actual practice. An international accreditation provides the following benefits:

- A more effective, efficient, and productive organization
- Reduced costs
- Better products and services
- Increased staff and stakeholder confidence in products and services
- Compliance with international standards and benchmarks

EBI staff underwent a competitive selection process to research, discuss, and select the accrediting body. In October 2006, EBI staff selected the Accrediting Council for Continuing Education and Training (ACCET).

There are eight Standards for Accreditation established by ACCET: (I) Mission, (II) Management, (III) Finances, (IV) Curricula, (V) Instructional Delivery, (VI) Instructional Personnel, (VII) Admissions and Student Services, and (VIII) Evaluation. An organization must demonstrate these Standards through the following four components of the accreditation process:

- Development and implementation on institutional standards, goals, and objectives
- Analytic self evaluation review and report demonstrating the Standards of Accreditation
- On-site examination to evaluate and validate the adequacy and accuracy of the self evaluation as demonstrated through daily performance
- Review and decision by the Accrediting Commission based on the self-evaluation and on-site examination

The table below shows the ACCET schedule for EBI's application and review process:

Application Due Date	Preliminary Evaluation Date	eASER Due Date	On-Site Examination	ACCET Examination Team Report	EBI Response to ACCET	ACCET Commission Decision
April 18,	September	November	February 15-	March 13,	March 28,	Late April-

2008	23, 2008	14, 2008	19, 2009	2009	2009	Early May
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Before launching into this schedule, ACCET conducted a mandatory workshop to provide EBI an initial accreditation explanation, examples, instructions and consultation on the eight ACCET Standards of Accreditation and the 25 subsets of standards for the development of the electronic Analytic Self-Evaluation Report (eASER). In addition, EBI underwent formal instructional systems design training in order to possess basic knowledge to review the ACCET Standards/Questions and determine EBI's readiness, time needed to become compliant, ease of data collection, and level of translation. EBI's initial compliance diagnostic revealed the following results:

	Level of EBI Readiness	Time Needed for Compliance	Ease of Data Collection	Level of Translation Needed
EBI Overall ACCET Compliance	57%	62%	66%	59%

Based on the results of the diagnostic, it was evident that EBI would have to undergo a significant effort to reach acceptable levels and obtain accreditation within the above timeline. EBI would have to accomplish three major tasks: development of a Standard Operations Procedures Manual (SOPM); implementation of the SOPM and a train-the-trainers program; and documentation (eASER). Also, a rigorous change management program was necessary to facilitate communications, planning, and acceptance.

EBI was awarded ACCET accreditation for the term of five years (until April 15, 2014), a rare accreditation term. This gives EBI the distinction of being the first and only ACCET accredited financial training institute in Egypt and the surrounding region.

Regulatory e-Guillotine

The TAPR II Program engaged Jacobs & Associates as a subcontractor to assist with the Regulatory Reform Initiative (ERRADA). One of Jacobs & Associates widely known innovations is a reform tool called the Regulatory e-Guillotine™. The regulatory e-guillotine approach is an integrated web tool that provides a systematic and transparent method of rapidly reviewing a large number of regulations, and eliminating those that are no longer needed. TAPR II procured the IT hardware and software to build the document inventory system with a low cost of \$385,000. The document inventory software is based on a previously developed system used in other countries for rapid regulatory reform. The system was modified and localized for use in Egypt and was implemented along the following guillotine principles:

1. The government adopts a legal framework for the guillotine that creates the processes, institutions, and schedule for the guillotine. This can be done either by law or by government decree. In the decree, the government instructs all public bodies to establish, by a specified date – usually a few weeks – a comprehensive list of their regulations included in the scope of the guillotine.
2. In preparing its list, each public body assesses each regulation in writing, using a simple, standardized checklist. The three key tests are:
 - Is it necessary?
 - Is it legal?

- Is it business friendly?

Any regulation that passes the three tests is put into the “Retain” category. Any regulation that fails the first two tests is put into the “Eliminate” category. Any regulation that passes the first two and fails the third is put into the “Revise” category.

3. These self-assessments are given to an independent and central review body that carries out precisely the same assessment, but develops its own three categories. The central, independent review produces most of the benefits of the guillotine, typically putting 20% to 50% of the regulations into the "Eliminate" category. For ERRADA, these units were the Government Ministerial Units (GRUs) and the General Review Unit ((GRU).
4. Finally, key stakeholders are consulted, and the central review body develops a final list of regulations to be eliminated, retained, and revised. A coalition of private business and professional organizations that coordinated business sector input to the ERRADA process, ensured comprehensive inventory and review phases, and helps build a communications campaign.
5. By the deadline, the final list is given to the Government, and the Government adopts the list in one decision. With this decision, any regulation on the "Eliminate" list is automatically cancelled without further legal action (the guillotine drops).

The list becomes, by definition, a comprehensive registry of all regulations in force under the scope of the guillotine, and should be recognized in law as the legal database of regulations for purposes of compliance. The registry should have legal security – no regulation not in the registry can be enforced against a business. In future, all new regulations and changes are entered into the registry within one day of adoption and/or publication. In effect, entry into the registry becomes a mandatory publication requirement.

One of the most important benefits of the e-guillotine is that the GOE was able to build a comprehensive inventory of regulatory instruments that are more accessible to the private sector. For the first time, the scope and importance of the problem of overregulation and bad regulation was clearly seen. Overall, more than 250,000 general regulations were identified, and over 35,000 business-related regulations were inventoried and categorized under 160 internal topics in about 170 subordinate agencies and authorities. The complete solution provided for ERRADA allowed for the full review, simplification, and elimination of tens of thousands of regulations across several ministries that improved Egypt’s competitiveness and reduced corruption.

ADDIE Training Methodology

The TAPR II Program leveraged the leading industry ADDIE Training methodology to provide a structured instructional system design to ensure sustainability of the training programs TAPR II advisors designed and implemented within the various GOE counterpart institutions. The ADDIE model, representing the five component of an instructional system: Analysis, Design, Development, Implementation, and Evaluation, provided a successful framework in which Training of Trainer (TOT) programs, training standard operation policies and procedures were developed.

For example, the Egyptian Banking Institute adopted the ADDIE Model early on in the accreditation project. In October 2007, the first part of EBI’s TOT Program was conducted as a pilot. It was attended by all EBI training staff to learn the new policies, procedures and forms for EBI’s newly adopted Instructional System Design in order to support the EBI

training management and instructors in analyzing, designing, implementing, and evaluating curriculum according to industry standards and best practices. In January 2008, the first TOT Program was conducted for EBI instructors. The program consisted of four courses: Needs Analysis, Design and Development, Implementation, and Evaluation. In addition, an Instructor's Toolkit was prepared, which provided the instructors with all of the essential items needed to design, develop and deliver training. It also included a section on curriculum evaluation and administrative items. The TOT was offered multiple times to train 200 out of 218 instructors and will continue to be a part of EBI's training and development curriculum as new staff and instructors are hired. Another example of TAPR II leveraging the ADDIE Model was for the delivery of an intensive 5-day TOT Program to approximately 30 MoF staff under the Treasury Single Account activity. These trainers are now well equipped to provide training on the new accounting and reporting framework to the accounting units of the government.

One-Stop-Shop Administrative Simplification

Numerous and time consuming licensing and registration requirements represent a daunting barrier to investment. Specifically businesses are subject to extraordinary levels of bureaucracy, red tape and corruption, so much so as to seriously stunt the growth of the business sector. For Egypt, the small-medium sized enterprises were the most threatened. The solution to this problem was the establishment of a one-stop-shop or a single window of contact for all regulatory requirements. This methodology was applied under TAPR II for the creation of the Smart Services Business Center (SSBC) in Alexandria and the Markaz Tamayouz Center in Cairo.

The SSBC in Alexandria functions as a one-stop-shop with the objectives of improving licensing / compliance processes for the business sector to reduce business costs; reduce business risk; increase the profitability (particularly of SMEs); and improve environment for business licensing. The SSBC consists of three main components;

1. Simplified administrative procedures
2. User-friendly service
3. Automated systems for workflow and knowledge database

These objectives were primarily achieved by:

- Designing and implementing business processes that required minimum physical interaction with Clients
- Developing and implementing an information system that provides support in services ensuring reusability of knowledge, data, templates, calculation of fees while managing the business processes and imposing computerized Standard Operating Procedures
- Training the SSBC client-facing staff on new "Customer - Centric" behavior
- Establishing a work flow between SSBC and Approvals Issuers which facilitated the approvals process

The SSBC currently services an average number of 150 customers daily.

Markaz Tamayouz provides one stop shop access to the following list of services that are required for the establishment of a new business:

- Chamber of Commerce
- Tax
- Customs
- General Organization of Import and Export Controls

- Notary Public
- Cairo Governorate
- Social Insurance
- Commercial Registry

The center houses onsite representatives of all of these agencies and provides some connectivity between the centre and the separate government entities.

Markaz Tamayouz opened in mid April 2010. Since opening, it averages 300 clients per day and provides an average of 500 services per day. Tamayouz is now a fully operational stand-alone facility and considered a strong success.

Higher Education Twinning Approach

The TAPR II Program engaged in a twinning approach between US and Egyptian universities with a focus on improving the quality and market relevance of professional education in key areas related to economic reform – economics, business and law. TAPR II advisors approached the twinning methodology in a competitive fashion in order to secure US academic institutions that were serious and would be dedicated to building the capacity of the respective Egyptian universities. The following are examples of where TAPR II successfully applied the twinning approach for Egypt's higher education:

- University of Indiana-Indianapolis School of Law implemented joint LLM programs at the Cairo and Alexandria Universities. The first cohort of LLM students started in January 2008 and graduated in April 2009 – about 10 students in Alexandria and 30 in Cairo. The second cohort started in October 2008 and graduated in June 2010– about 20 in Alexandria and 35 in Cairo.
- Start-up of a twinning arrangement between Cairo University Economics Department and the Andrew Young School of Policy Studies of the Georgia State University. As a result of this partnership, the quality of courses for teaching research skills was upgraded and it provided professional development opportunities to faculty to improve teaching methods and research.
- Identified a U.S. business school to partner with the Alexandria University Faculty of Commerce (AUFC) on a program centered on strengthening and jointly implementing Alexandria's existing Executive MBA program. The partnership developed a business plan covering faculty skills, curriculum, outreach to the business community and other stakeholders, and fundraising for long-term program financing. The partnership was funded through direct Cooperative Agreement between USAID and the business school.
- Established a market-based twinning partnership between Cairo University and Georgia State University business and economics to upgrade curriculum, faculty skills, administration and outreach. As a result, Cairo University introduced new specializations in the undergraduate curriculum in marketing, finance and accounting. The new academic program was approved by the Minister of Higher Education on September 24, 2008. It included a two-year preparatory program for selected students admitted to the CU Faculty of Commerce English section followed by two-year specialized tracks in marketing, finance or accounting.
- Cairo University signed an MBA partnership with Florida A&M University. Students will earn an Egyptian MBA and a special certificate from Florida A&M. A Doctorate of Business Administration (DBA) program is also in the works.
- CU is close to finalizing a deal with the Brunnell School of Business for a DBA. The program will offer the Brunnell DBA degree for junior faculty and professionals from across Egypt and the region. Students attend classes in Egypt and defend dissertations in the U.K.

Co-Location of TAPR II Project Team with Egyptian Counterparts

When TAPR II project advisors were co-located with their Egyptian counterparts there was greater chance for project success. Co-location afforded the opportunity for the project team to work side-by-side with counterparts on a day-to-day basis, allowing for continuous capacity building, mentoring, and ease of dialogue. This was of particular importance in the Egyptian context as its culture prefers face-to-face dialogue rather than e-mail and, to some extent, telephone communication. Through co-location, the project team was able to build the trust of the counterpart, a critical element of a successful and sustainable reform effort. Further, co-location lessens the tendency for providing technical assistance in isolation as it encourages the participation of both parties, establishing a true partnership and a sense of ownership from the Egyptians.

Demand Driven Project

The TAPR II Program was structured as a demand-driven technical assistance program that prioritized critical reform efforts and allowed greater flexibility in responding to changing political and economic circumstances. At the time of project development there were two key drivers for such a design structure: (1) USAID expected to be under increasing staff constraints and the process of negotiating individual assistance agreements with the GOE and obtaining approval within the USG had become very time consuming, and (2) Egyptian reformers had expressed commitment but, in many cases, had yet to clearly define their modernization vision.

The flexibility permitted under the contract allowed USAID and the Project to provide very broad support to the GOE across a wide variety of subjects in a timely manner. Given the nearly 5-year span of the Project, USAID and the Project were able to respond positively to new technical assistance requests as they were requested, increase or decrease assistance in particular areas as GOE commitment or priority changed over time, provide one-off targeted high-quality assistance in development of policy or strategy as well as deliver more permanent support to a number of multi-year reform efforts.

A comparison of the initial scope developed for TAPR II and both the number of institutions assisted as well as the variety of deliverables produced over the course of the Project, particularly highlights the flexibility available under the contract. Counterpart understanding of this flexible scope allowed government institutions much greater opportunity not only to undertake more comprehensive reforms but also to expand into new areas, as agreed. This contract has proved to be much less restrictive and has served as an incentive for reformist government institutions to more easily request and receive USAID support. In turn, USAID could confidently rely on the project team, working closely with Activity Managers, to immediately respond with targeted technical assistance. This non-prescriptive approach was extremely effective and TAPR II served as the “go-to” project for economic assistance.

Policy-Conditioned Technical Assistance

Since 1992, USAID has delivered \$1,068,200,000 Billion in donor assistance as part of its cash transfer program. The cash transfer program is a performance-based assistance scheme in which disbursements are tied to the implementation of policy changes. A Memorandum of Understanding (MOU) is entered into by and between the grantee and USAID for strategic development sectors setting forth agreed upon benchmarks of progress for each sector, the initial disbursement amount, and performance disbursement amounts for achieving these benchmarks. This type of assistance is increasingly recognized as a more effective instrument in delivering effective and sustainable donor assistance.

The TAPR II Project prepared verification reports and summary benchmark status matrices to record and provide accurate and timely information on each milestone, its status and verification, as well as disbursement amounts. These reports and matrices were presented

to USAID on a periodic basis to verify GOE implementation of the agreed upon financial sector policy benchmarks, and assist policymakers at USAID and in Washington DC in determining disbursement status. The U.S. disbursed \$275 million to the GOE as a result of the completion of the benchmarks cited in the December 2006 Benchmark Verification Report and another \$50 million in January 2008.

The RAAP System

TAPR II leveraged an automated web-based Resource Activity Approval Process System (RAAP) to field technical advisors, both expatriate and local professionals. The RAAP workflow system is a proprietary application which uses email notifications to alert participants in the process that an action is required. The RAAP system proved invaluable to TAPR II and USAID as it allowed both parties to expedite the fielding of project staff and do so with an audit trail of all initiated, in-progress, and completed requests. The workflow included steps for initial scoping and technical approval of the resource, rate approvals, and travel authorizations (when necessary). Also, it is capable of storing personnel resumes and statements of work. Overall, the RAAP system was recognized as an efficient and accurate tool which reduced costs and expedited the technical work of the project.

Donor Coordination

With increasing pressure to demonstrate results and to meet aggressive performance targets, it is imperative that the international donor community coordinate its efforts. Donor coordination reduces waste in redundancies, facilitates the transfer of knowledge and lessons-learned, and leverages the inputs from each party. The TAPR II Program was successful at coordinating with the numerous international donor agencies operating in Egypt, including the International Monetary Fund, the World Bank, the International Finance Corporation, the European Commission, among others.

For instance under Component C. Macroeconomic Stability, TAPR II advisors maintained a very close relationship with the IMF Fiscal Affairs Department from Washington as well as their Middle East Regional Technical Assistance Center in Lebanon. The IMF was full of praise for the support provided through TAPR II. TAPR II worked in close collaboration with the World Bank to draft the first public pensions' law. Project advisors also interacted and coordinated with a number of bilateral donors – Spain and Netherlands – as well as the Organization for Economic Co-operation and Development (OECD) and World Bank.

LESSONS-LEARNED

1. A demand-driven approach is an effective and efficient method for delivering technical assistance on a broad-based economic governance reform program.

The TAPR II Program was structured as a demand-driven technical assistance program that prioritized critical reform efforts and allowed greater flexibility in responding to changing political and economic circumstances. At the time of project development, there were two key drivers for such a design structure: (1) USAID expected to be under increasing staff constraints and the process of negotiating individual assistance agreements with the GOE and obtaining approval within the USG had become very time consuming and (2) Egyptian reformers had expressed commitment, but, in many cases, had yet to clearly define their modernization vision.

The flexibility permitted under the contract allowed USAID and the project to provide very broad support to the GOE across a wide variety of subjects in a timely manner. Given the nearly five-year span of the project, USAID and the Project were able to respond positively to new technical assistance requests as they were requested, increase or decrease assistance in particular areas as GOE commitment or priority changed over time, provide one-off targeted high-quality, assistance in development of policy or strategy as well as deliver more permanent support to a number of multiyear reform efforts.

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In conclusion, this nonprescriptive approach was extremely effective and TAPR II served as the “go-to” project for economic assistance.

2. Identifying a reform champion from the start and securing senior leadership commitment are key ingredients to obtaining Egyptian ownership of reform efforts.

Economic and institutional reform requires effective leadership and commitment at each stage of technical assistance. This leadership is in the form of a reform champion that brings political insight, charisma, and an end-state vision to move the reform forward and command the respect of fellow government officials and interested stakeholders. In addition to strong leadership, the benefiting parties must fully commit their resources, including time, human capital, infrastructure, and in some instances funding. These criteria were the primary determinants of the probability of successful reform and sustained results under the TAPR II Program.

Two examples which reinforce this lesson were evident across the MOF as it undertook reform of the TSA and its tax modernization program. Both reforms were initiated by high-level strategy recommendations from the IMF, which were subsequently approved and championed by the Minister of Finance. TAPR II consequently developed the detailed design, supporting technical memoranda, as well as implementation plans for each program and these received the full endorsement of both the IMF and Minister. While the tax

modernization program blossomed through the appointment of an appropriate governance structure to manage the reforms, the wider TSA initiative floundered without a dedicated implementation champion.

This 'second level' leadership and resource commitment was the key differentiator in how the reform programs progressed, or not. On the tax side, the appointment of Seif Coutry, and subsequently Gamil Ezzat, as dedicated project manager to manage the modernization program, the secondment of key technical staff to the PMO, as well as visionary and progressive leadership of the new Tax Authority by Ashraf Al Arabi ensured the reforms were internally owned and had continued momentum. Additionally, this ownership was further highlighted by the appropriation of significant funding to support training, infrastructure, and IT equipment to support the program. Conversely, the lack of a similar governance structure for the TSA reform effort, coupled with limited leadership and commitment from internal Ministry structures, meant that modernization was not able to progress beyond the implementation of a basic TSA.

In a similar vein, another area where extensive Project input did not achieve the desired outcomes was in the development of the NLC. Although the NLC had been founded about a year before the beginning of TAPR II, significant start-up assistance was still needed. The Project assisted with equipment procurement and proposal evaluations, as well as substantial organizational and institutional development assistance. To promote stakeholder involvement, TAPR II also assisted with a grand opening, procured, and developed a Web site for the NLC, and helped draft the NLC brochure.

Despite USAID's support and the extensive efforts made by TAPR II, the results of assistance to NLC did not yield the desired outcomes. USAID ended its assistance to the NLC in the spring of 2008. NLC was unable to capitalize on the assistance provided for several reasons:

- The decree creating the NLC did not adequately delineate its responsibilities, particularly in relation to the Ministry of Justice and other ministries drafting commercial legislation.
- Despite TAPR II urging, the NLC unfortunately hired no senior legal advisors or other personnel capable of assisting in legislative drafting, participate in meaningful substantive discussions with committee members, prepare meeting agendas, or prepare draft legal language after meetings for considerations by committee members.
- The NLC had no system for tracking laws or amendments being put forward by various ministries or ensuring that legislative action did not introduce conflicting requirements.

In the case of the NLC, it was an entity that had little support across the government, in general, and the Ministry of Justice did not seem willing to delegate its authority, in particular. This, coupled with its inability to bring on board personnel of sufficient caliber to perform, led the Project to change direction and to work directly with the concerned Ministries on commercial law reform.

3. Civil service reform needs to occur for reforms to have sustainable impact at all levels within a government organization.

Greater success in a number of modernization areas, particularly those more complex organizational or information technology-related reforms, could have been achieved except for the inflexibility provided under the current Civil Service Law. In several cases, it was clear that although ownership of the reform existed at the highest-levels of the institution and a clear vision for modernization had been adopted, implementation was hampered by those who wanted to maintain the status quo and had most to lose through the reform efforts. They

could establish a barrier to ensure the reform message was not percolated down to the technical and administrative levels. This was particularly evident in those at the under-secretary or general manager levels who had reached their position not on merit, but by longevity of service within the government institution. In general, those at this senior management level with only one or two years prior to retirement and have no appetite for change. The seniority-based system of promotion, inability to make staff redundant, recruitment through nepotism rather than skills requirements, subjective staff performance appraisal where everyone is given an 'excellent' rating, the lack of merit-based pay, corruption, and a massively bloated government sector will continue to limit effectiveness anticipated from modernization and hamper the efficiencies expected from automation.

4. Co-location of advisors and counterparts.

The chances for program success under TAPR II were far greater when the project team was co-located with its counterpart. Co-location afforded the opportunity for the project team to work side-by-side with counterparts on a day-to-day basis, allowing for continuous capacity building, mentoring, and ease of dialogue. Given the Egyptian culture, which prefers face-to-face dialogue rather than e-mail and, to some extent, telephone, through co-location, the project team was able to build the trust of the counterpart, a critical element of a successful and sustainable reform effort. Further, co-location lessens the tendency for providing technical assistance in isolation as it encourages the participation of both parties, establishing a true partnership and a sense of ownership from the Egyptians. Perhaps a more basic example of the need for co-location can be the lost travel time incurred by advisors traveling to and from meetings through a gridlocked downtown Cairo!

5. Training Takeaways.

Training under TAPR II spanned across all seven component areas and consisted of several methods, including in-country, U.S., and third-country trainings. Training was considered a valuable approach to local capacity building and, on the whole, was regarded as a huge success. In designing and delivering training programs, there are several takeaways that should be realized for future technical assistance in Egypt and elsewhere. First, for large multiyear programs, the preparation of annual training plans and budgets should coincide with annual work planning exercises. They must be approved by USAID, and to the greatest extent possible remain intact for the planned period. Having a formal plan and tracking mechanisms in place ensures that trainings are aligned with technical assistance efforts, that they garner sufficient support and commitment from USAID and counterparts, and that they allow for proper oversight of monies spent on training efforts.

Second, training should be the responsibility of the implementing partner. It should not be a mechanism that allows for the payment of logistics, per diem, and other expense items while the counterpart pays for the training provider. While there is the benefit of cost-sharing to this approach, it does not allow for proper quality control over the actual training content, delivery, and effectiveness. Caution should be applied when control is with the implementing partners as the training bears the USAID name.

Third, USAID and the implementing partner must be responsible for final approval on the selection of training participants. Training, under whichever delivery methodology, but particularly overseas training or study tours, must not be seen as a 'reward' for favored staff of the counterpart institution and participants must be objectively selected based on relevance and maximum value to be derived from the training program.

Lastly, follow-up measurements need to be in place to truly gauge the effectiveness of the training. Counting the number of participants trained does not demonstrate the effectiveness of the training program, its application, or the transfer of knowledge. It is recommended that follow-up training assessments be an integral part of any training program. For example, evaluations should be distributed to both the participant and the participant's supervisor two to three months after the training to measure the realized benefits of the training. This will determine impact and will hold the participants accountable.

6. Public outreach should be considered an integral component of any reform program.

Significant public communication to publicize the USAID-funded TAPR II proved difficult at times during the course of the Project. During the five-year program there were a number of lengthy occasions when USG/GOE relations were strained and government institutions were wary of communicating successes with the assistance provided by USAID through TAPR II. This was unfortunate given the substantial part the Project played in many of these reform successes, but perhaps understandable given the politics of Egypt. Notwithstanding, the project was still able to generate considerable publicity for USAID assistance through the numerous training events, seminars, publications, as well as a large number of press club briefings.

In parallel, the Project assisted a number of institutions in the design and delivery of public outreach campaigns to support their reform initiatives. Acceptance of change — whether it be legal or procedural — will only occur if recipients understand the rationale for change and appreciate the benefits it will bring. This is particularly relevant when change may not necessarily bring personal advantage, but will deliver national benefits. A good comparative example can be drawn from the introduction of two new tax laws — the Income Tax and the Real Estate Tax.

An excellent public education campaign ran concurrent with the drafting, enactment, and implementation of the new Income Tax law. This campaign should be given significant credit for the smooth passage of the law through the Shoura Council and National Assembly, as well as an immediate and effective public acceptance of the law. This was clearly reflected in a huge upturn in tax returns filed and revenues collected during its first year of operation. Conversely, little public education or consultation was evident prior to the presentation of the new Real Estate Tax law in the Shoura Council. The initial rejection of the law by the Council and subsequent poor publicity generated in the press — much of it erroneous — resulted in a significant public outcry against the law. It took a very concerted publicity campaign by the Minister of Finance coupled with a number of major concessions within the law itself to finally ensure enactment after a lengthy battle through the legislative organs.

7. Implementation of large-scale information technology programs.

Information technology may be regarded not only as a catalyst, but also a continued driver for modernization and change. This is particularly evident in conjunction with major organizational and procedural reform, which preferably should precede any automation improvements. TAPR II provided software procurement assistance across the breadth of the Project — Customs, Tax, Debt Management, RTGS, SSBC, and commercial registry — as well as the development of a number of key institution Web sites and the procurement of hardware. While the Customs system had been foreseen during development of the TAPR II program design, the others were responses to direct requests from counterpart institutions to USAID during the course of the project.

There is little doubt that the two large IT programs for Customs and Tax proved to be problematic, both incurring delays in excess of 12 months against their original plans. Although delays once implementation was underway were unique to each system, it is clear that similar issues extended the procurement process, such as:

- Counterpart unfamiliarity with integrated automated systems caused additional time to be taken to develop agreed functional specifications. Notwithstanding, this could also be regarded as knowledge transfer.
- RAYA was the winning lead contractor for both Customs and Tax following the technical evaluations and time was lost as USAID Contracting Office initially rejected the award of both contracts to the same supplier.
- Considerable time was taken in financial negotiations with the contractors with a view of reducing the cost to a number that USAID would be willing to budget. It should be noted that significant reductions in the cost were obtained by the project, without any loss in the delivery scope.
- The procurement process took nearly a year for the contracts to be awarded from the date of approval from USAID to move ahead with both systems.
- Given the lengthy procurement process it was clear that both systems were under real pressure from the start to meet completion within the two years remaining on the TAPR II contract. Fortunately, the extension of TAPR II for an additional 12 months relieved some of that pressure. However, given the issues which dogged both implementations, it is clear that insufficient time was allocated to allow completion of both contracts within a reasonable time frame. Experience suggests that both projects should have been allotted twice the original contract length.
- An ongoing concern is the possibility that counterparts disregard the new computerized systems and resort to their legacy system or manual procedures, if problems develop in the software or insufficient numbers of people are able to use it correctly. It is also possible that those with vested interests in direct facilitation manage to sabotage the automated procedures for their own gain. Technical assistance, albeit on a peripatetic basis, should continue for at least a year after the new system has been rolled out, not only to ensure it is being used as designed but also to continue to build the capacity of users to draw on the system to its full capability.

8. Sustainability of the reform program.

The potential sustainability issue in respect of the IT systems work is highlighted above. Sustainability may also be a concern because of future salary issues. Many of the reform champions and TAPR II counterparts are being paid more than normal government salaries (under implementation letters, UNDP funding, or under USAID grants) and, should this support not be continued, it is possible these counterparts may leave, which will certainly stall further reforms and the sustainability of TAPR II supported organizations, hurting policy reforms. Further, people who have learned scarce skills, such as sophisticated IT or risk based supervision, may quit to work in the expanding Egyptian economy or in the wider “Gulf” region. This is an issue that is much broader than TAPR II and also may be impossible to deal with in the short term. Nonetheless, it could fundamentally affect the sustainability of many reforms and development activities supported by TAPR II and many other donor assistance efforts. Indeed, during the course of TAPR II we encountered, on numerous occasions, an inability to hire good local professionals because private sector and other donor salary levels have significantly outstripped the USAID-Egypt FSN schedule.

APPENDICES

SUCCESS STORIES

PERFORMANCE MONITORING AND EVALUATION

SUMMARY OF FINANCIAL INFORMATION

SUMMARY OF TRAINING PROGRAM

SUMMARY OF PROCUREMENT

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