



USAID
FROM THE AMERICAN PEOPLE

TECHNICAL ASSISTANCE FOR POLICY REFORM (TAPR-II)

FINAL REPORT

September 2010

This publication is made possible by the generous support of the American people through the United States Agency for International Development (USAID/Egypt) under the Technical Assistance for Policy Reform (TAPR-II) Final Evaluation. The contents are the responsibility of the authors and do not necessarily reflect the views of USAID or the United States Government.

TAPR-II FINAL EVALUATION REPORT

Prepared For USAID/Cairo

Submitted by The Mitchell Group, Inc.

Report Prepared by

Joseph Lieberman, Team Leader

Donnie Harrington, Team member

James Hanson, Team member

Emily Miller, Team member

With the Support of:

Moshen Alashmoni

Taha Mohamed Shendy

Ahmed Nour

Hani Hamer

In Collaboration with

The Mitchell Group, Inc.

Development & Training Services, Inc.

With the Support of Progress2 of Egypt

TAPR II FINAL EVALUATION

TABLE OF CONTENTS

I. Executive Summary	1
A. Background and Main Points of the Evaluation and Brief Summaries of the Seven Components.....	1
B. Summary of Recommendations for each Component	8
II. Introduction.....	11
A. Purpose of the Evaluation.....	11
B. Evaluation Questions	11
C. Previous Projects	13
D. Reasons for an Umbrella Project.....	13
E. TAPR II Estimated Total Life of Project Costs by Component Categories.....	14
III. Methodology - Research Design and Its Limitations	14
IV. TAPR II Components.....	15
A. Trade and Investment Environment: Customs Reform, Trade Facilitation and Trade Policy	15
B. Financial Sector Modernization: Egyptian Financial Supervisory Authority, Egyptian Banking Institute, and Pension Reform.....	21
C. Macroeconomic Stability: Tax Policy and Administration, Public Private Partnership, and enhancing capacity within the Ministry of Finance.....	26
D. Enabling Business Policy Environment: Commercial Law Reform, Intellectual Property Rights, Consumer Protection, Competition Policy, and Alternative Dispute Resolution.	32
E. Facilitating Services for the Private Sector: Smart Services Business Center, Regional Reform Roll-out, Modernize Commercial Registry, Competitiveness, Regulatory Reform (ERRADA), Industrial and Investment Policy, Special Economic zones, and doing business indicators	37
F. Human Resources: Legal, business and economic education	46

G: Program Support: Monitoring of policy reform, housing demand and economic studies, preparation and dissemination of information and publications, tracking financial sector reform (DSP II)	46
V. Overall Strategic Relevance of TAPR II.....	49
A. Consistency with US Objectives and the TAPR II Contract	49
B. Counterpart Control of the Agenda and Ownership.	49
C. Coordination With Other donors, NGOs, the private sector and Other USAID Programs .	50
VI. Management and Organization.....	51
A. Umbrella Project Issues	51
B. Other Management Issues.....	52
VII. Findings and Recommendations for Each TAPR II Component.....	54
ANNEX 1. Table of TAPR II Deliverables	
ANNEX 2. Ministries and Organizations Contacted	
ANNEX 3. Components and Subcomponents of TAPR II	
ANNEX 4. Team Composition and Scope of Work	
ANNEX 5. Questionnaires and data collection methods	
ANNEX 6. Acronyms	

I. Executive Summary

A. Background and Main Points of the Evaluation and Brief Summaries of the Seven Components

The purpose of the evaluation was to assess the design and implementation of TAPR II, to identify successes and problems and to recommend ways to strengthen performance.

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 Bearing Point's public services practice in 2009. The various government counterparts and recipients of support have expressed their gratitude for the high quality USAID team and the quality of consultants and training that were provided under TAPR II. Of course some of the support has not led to reforms. In part, this reflects the varying government interests in reform changes, particularly as elections near.

The overall objective of TAPR II is to provide a comprehensive and flexible source of technical assistance to Egyptian reformers to help them define and implement their policy reform vision. When the project was being developed, USAID expected to be under increasing staff constraints. Prior to TAPR II, there had been 18 USAID contracts and 12 COTR's. The process of negotiating individual assistance agreements with the GOE and obtaining approval within the USG was time consuming. As a result, it was decided that effective management of the USAID program required that activities be grouped into fewer implementation units that would permit funding to be shifted between sub-objectives and activities. As a result of these management changes, TAPR II was redesigned as an umbrella project, with seven major components. The components were in the areas of the trade environment, financial sector modernization, and macroeconomic stability, enabling policy environment for the private sector, facilitating services for the private sector, human resources, and program support.

The TAPR II 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 using a data collection protocol which is described in Section III below.

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 following are the major successes in each component:

- The Egyptian Customs Authority was transformed, a new customs law drafted, tariff rates reduced and customs clearance time reduced from 14 to 9 days.
- Support for the Real Time Gross Settlements Payments System (RTGS) in the Central Bank reduced liquidity risk to the bank; the Egyptian Bankers Institute (EBI) was internationally accredited; the Egyptian Insurance Supervisory Authority (EISA) switched to risk based supervision with the associated reorganization of EISA and the formation of the Egyptian Financial Supervisory Authority (EFSA).
- Support led to income, sales and stamp tax reforms and reforms in tax administration.
- New and existing trade related agencies and their institutions were strengthened and received international recognition; facilitated the establishment of a commercial court.
- Three new activities consolidating and reducing regulatory red tape were established: the Smart Services Business Center, Tamayouz and the Egyptian Regulatory Reform and Development Activity, in addition to modernizing the Commercial Registry in 20 locations. The Egyptian National Competitiveness Council was established and became operational under TAPR II.
- The groundwork for US-Egyptian academic partnership agreements based on legal and business higher education degree/certificate programs were successfully completed.
- An effective Performance Monitoring and Evaluation Plan for the TAPR II contractor was developed and M&E support provided to USAID.

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 as Government Ministers were changed 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 Central Bank of Egypt decided they did not need much TAPR II assistance. The following sections provide a brief summary of results for each of the seven TAPR II Components. (Section IV provides more details on each of the Components).

Component A (Trade and Investment) helped Egypt make significant improvements in the trade environment. Timely, expert technical advice from the contractor's component leaders, and by their long and short term advisors, guided by active oversight by USAID, capitalized on opportunities as they arose to improve trade facilitation and strengthen institutions. The Egyptian Customs Authority (ECA) has undergone a

transformation, thanks to USAID's sustained assistance. Another major hurdle achieved with TAPR II assistance is parliamentary approval of the World Customs Organization (WCO) Kyoto Accord in January, 2008, demonstrating Egypt's commitment to international standards and best practices in customs laws and operations. A new customs law was drafted, procedures simplified and a system of risk management introduced that reduced the need for physical inspections and decreased customs clearance times from 14 to 9 days.

Tariff rates were reduced and simplified and the Ministry of Trade and Industry was strengthened and made more effective in compliance with WTO and other international trade agreements. TAPR II's demand-driven design allowed quick response to support the startup of a new Food Safety Agency. Timely project support, coupled with strong leadership, advocacy by the Chamber of Food Industry, and an effective public awareness program, built momentum for the creation of the Food Safety Agency and weathered challenges by opponents of the reform. Another promising initiative to improve trade facilitation, increase WTO compliance and pave the way for increased trade is harmonization of trade standards in textiles, garments and food.

An issue of concern with Component A is the completion and turnover of the automated customs information system. Almost one half of Component A resources is allocated to the National Customs Information System (NCIS), which may not reach its potential without strong leadership to resolve political and technical issues. The NCIS may be turned over to the ECA by the end of the project, if the remaining steps are implemented on schedule. However, without further assistance, ECA will be left to operate the system without the support and training originally envisaged, and the system may not operate according to international standards. Also, without further support, there is a high risk that the system will fail to achieve many of the objectives it was designed to provide.

Another concern is the loss of momentum on major policy reform. In spite of government assurances and TAPR II assistance, progress has stalled and the prospects are slim for the passage of major legislation, such as the customs law and the food safety law, before parliamentary and, perhaps, presidential elections. Finally, although the project has been very successful in strengthening government agencies, the lack of inter-ministerial coordination constrained progress. Improvements in the Egyptian trade and investment environment increasingly depends on an integrated approach, bringing together all government agencies with mutual interests and motivating them to work together to facilitate trade and growth.

Component B (Financial Sector Modernization) has been an effective, demand-driven response to support the financial sector and economic growth. This component supported three major institutional improvements-- the Real Time Gross Settlements Payments System (RTGS) in the Central Bank, improvement and international certification of the Egyptian Bankers Institute (EBI), and upgrading the Egyptian Insurance Supervisory Authority (EISA). In addition, TAPR II supported the set-up of the Egyptian Financial Supervisory Authority (EFSA), the on-going development of a retail payments system, and pension reform, which began in Component C has been partially enacted. The TAPR II Contractor Team Leader for Component B and the USAID Activity Manager for this component were prompt and responsive in providing high quality consultants and training, as well as being effective in shifting funds between sub-components or closing them, as appropriate. The resources provided under Component B effectively supported Financial Modernization.

It was coordinated with other donors through regular meetings of donors working in the financial system. These meetings were hosted by the World Bank, which was a major lender supporting financial reform, and involved the African Development Bank, the European Union, and NGOs. TAPR II's support for upgrading EISA and the set up of EFSA were important underpinnings for the World Bank's large loans. TAPR II support for EBI improvements in led to EBI's winning a contract to train Iraqi bankers, which was carried out through the Egypt office of the World Bank.

Two issues that affected parts of Component B were USAID consultant fee limits and the potential risks of a demand driven project. USAID limits on consultant fees appear to have contributed to reduced requests for TAPR II support from the Central Bank, at least initially, and the Capital Market Authority. Fees for consultants working in these areas are often much higher than USAID consultant fee limits. The institutions may have judged consultant quality by salaries---a low salary is equated with low professional skills. Similarly, consultant fee limits on local hires may have reduced the ability to use local consultants in these two TAPR II sub-components, as well as the inability to use local professionals for other TAPR II components. Unless there is an extremely unique need for high priced experts, we do not see any benefit in trying to go beyond the USAID max. If the GOE demands \$1,500 a day consultants, which greatly exceeds the USAID fee limitations, they should pay for them with their own resources or use other sources of technical assistance provided by other donors such as the IMF or the World Bank Group. USAID projections for requests for technical assistance should take into consideration the possible affects of their fee limitations. Some technical advice and interactions did develop regarding support to the CBE under the TAPR II project, but the Capital Market subcomponent was subsequently closed because of lack of requests for support, as well as a change in focus of the Capital Market Authority. Finally, overemphasis on responding to specific requests for support may lead to support for

activities that may not be the most current in the financial sector. This potential issue could become a concern given the recent international financial crisis and the resulting major changes in financial sector systems and regulation that are occurring worldwide.

There are two lessons from Component B. First, in project management, prompt provision of appropriate technical support was effective and highly appreciated, as was the ability to shift resources easily between project components. Future projects should emphasize these characteristics. Second, support should go to recipients that place a priority on, and have clear ownership of, the request and its likely result throughout the institutions, as was the case in almost all activities of Component B.

Component C (Macroeconomic Stability) was highly successful in its support of key reforms in tax policy and administration by the Finance Ministry. The income and sales tax systems and their collection were reformed. The stamp tax, a problem area in most developing countries, was simplified substantially. A plan for integrating the Income and Sales Tax Departments is being implemented. Tax revenues rose, while opportunities for corruption were reduced. Component C support also contributed to the establishment of the central Public and Private Partnerships (PPP) Unit within the Ministry of Finance (MOF), as well as contributing to the PPP law that was enacted. Pension reform was shifted to Component B and has been partially enacted. The IMF and World Bank Group provide substantial free support in these areas, worldwide, but the resources provided by TAPR II and USAID were chosen to provide support for the MOF reforms.

These successes reflected prompt, high quality support under TAPR II and by USAID. They also involved strong interactions with the Tax Department. The Implementing Partner of Component C and USAID managers were effective in closing sub-components and shifting resources when work was completed, or after the counterparts lost interest or commitment.

Coordination was extensive between TAPR II Component C and the IMF regarding tax reform. Coordination with the IMF reflected the mutual interests in the fiscal impacts of tax policy and administrative reforms on tax revenues. Coordination also took place with the Netherlands and Spanish governments and the OECD on training of tax administrators. Some coordination also took place with the IMF on the Treasury Single Account and with the European Union and the World Bank on general issues of public financial management.

A concern with Component C is the sustainability of the large information technology (IT) activity. The required laws have been passed, much of the project has been completed and substantial, hands-on-training was provided to help the Finance Ministry take over responsibility for IT. Nonetheless, at the time of this evaluation, it

was unclear whether all requirements would be fully completed before TAPR II ends. As is inherent in IT, project specifications were complex, many challenges developed, and for various reasons there were many requests for modifications. Full completion and, perhaps more important, the success of this IT effort will depend on continuation of a strong commitment by the Finance Ministry. There is also the risk of losing trained IT personnel to private firms willing to pay higher salaries. A second major issue was the Single Treasury Account sub-component, which is a complex political as well as technical issue. This sub-component lacked support below the Finance Minister. Eventually, the non-treasury government accounts were reduced from thousands to less than 50, the Minister declared results satisfactory and sufficient to yield budgetary savings, and the sub-component was closed.

Three major lessons emerge from 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. Deeper support in the recipient institution can be built through interaction with USAID and consultants, but success still depends on long-term involvement of high quality staff, such as those involved with the tax sub-component of Component C. Second, prompt responsiveness and easy transfer of funds between sub-components and components should be continued, because they 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 and USAID.

Component D (Enabling Policy Environment) helped Egypt make meaningful improvements in the business environment. TAPR II helped establish new agencies, such as the Egyptian Competition Authority, Consumer Protection Agency, and Alternative Dispute Resolution Center, which are sustainable and helping Egypt move from a socialist to a market economy. Reforms in older institutions, such as the Patent and Trademark offices have enabled business growth and earned regional and international recognition for Egypt as a leader in Intellectual Property Rights reform.

Champions of economic reform have been supported through effective training and customized technical assistance. USAID as a partner and the assistance provided by TAPR II are highly valued in bringing about reforms, most of which were built on achievements of previous USAID projects. USAID is uniquely positioned to assist Egypt advance the unfinished agenda of improving the policy environment for business development and economic growth. **Another significant achievement with far reaching impact is the strengthening of the newly created economic courts and the reduction in time required for enforcement of contracts and resolution of other commercial cases, especially noteworthy for the cost effectiveness achieved by coordination with other USAID projects.**

Even though it was effective in supporting reform champions, the project was less successful in achieving the end goal of policy reform. USAID acted appropriately to withdraw support from the National Law Commission, but progress stalled on the bankruptcy law and intellectual property law indicating the continued lack of a streamlined, GOE-led process to set priorities and coordinate policy reforms to improve the business climate. Although the flexibility under the TAPR II project allowed quick action to respond to opportunities, such as training judges and supporting mediation, but momentum may have been lost on some reforms due to funding uncertainties, changing priorities, and retooling for new initiatives.

Sound accomplishments were achieved under Component E (Facilitating Services for the Private Sector). The stakeholders of regulatory reform --- the national, regional and local governments, business associations including the Chambers of Commerce, as well as USAID have largely succeeded in setting and meeting achievable goals, managing expectations and bringing together competent activity managers and technical advisors. Customer service training and incentive pay schemes to SSBC and Tamayouz staff contributed to capacity building of young new graduates, an incentive-based work force, and set a new level of customer service standards, which ultimately benefits the private sector and eases the burden of doing business in Egypt.

Meaningful dialogue between ERRADA (the Egyptian regulatory reform agency) and the private sector in the regulatory reforms of greatest interest to business has not yet occurred. A new two tiered approach is under development by ERRADA and the Egyptian National Competitiveness Council (ENCC) that will identify and consult directly with the private sector on regulatory issues of specific concern while maintaining public-private roundtables on broader regulatory reform and economic sectors such as agriculture.

A national competitiveness strategy will be presented to the Prime Minister by the Egyptian National Competitiveness Council in October 2010. This is positive testimony to the significant progress made under the TAPR II project of turning a loosely formed group advocating the development of a national strategic vision for Egyptian competitiveness into a respected NGO. It has access to Egyptian Parliamentarians, is guided by a visionary Board of Directors and has sector specific competitiveness councils. Sustainable funding beyond TAPR II is necessary for the ENCC to build upon these successes. ENCC's role will need to be broadened to include monitoring and evaluation once a national strategy is adopted and implementation begins.

The evaluation found that **linkages between Tamayouz, (the one stop business support centers) and SSBC (Smart Services Business Centers) are weak and recommends USAID examine the mutual benefits from institutional strategic alignments between the two organizations and organize forums to facilitate the alignment.** 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 public private partnership between the Government of Egypt regulators and the Chamber of Commerce in Cairo is an excellent example of service integration, cooperation and service based financial sustainability.

Looking to the future, the foundation of success, as proven by TAPR II's own experiences, are a shared vision, setting expectations at the outset, championing an activity at the right time, and when things are progressing well, a light project management footprint. **Financial sustainability is more likely with public-private partnerships, fee-based services or when the GOE can be shown a positive return on leaner regulations and agrees to provide budgetary support.** The Government of Egypt, 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".

Component F (Human Resources) is closed. Recent short term technical support to assist Cairo University plan an International Branch has been placed under Component E.

Component G (Program Support) included successful monitoring and evaluation (M&E), along with three economic studies and a newsletter. **M&E is important for effective management since it uses performance indicators to measure performance against baseline data.** TARP II's demand driven, flexible approach made it difficult to track activities and sub components since they often changed or were replaced by new activities. In spite of these difficulties, TAPR II **has an excellent Monitoring and Evaluation Plan.** It tells managers how well a project is doing in reaching its objectives and provides effective M&E support to USAID's Economic Growth Office of Policy and the Private Sector (PPS). The TAPR II EGLink Newsletter has proven to be a useful way to communicate TAPR II results to Egyptian constituents.

At the start of the project, GOE Ministers were very interested in the TAPR II housing and privatization studies, but the housing studies were not acted on and recently the GOE decided to abandon its privatization program. The Behind the Borders Study should be useful as USAID plans its competitiveness programs.

B. Summary of Recommendations for each Component

Component A: The first recommendation is that USAID should continue to support reformers in the next level of trade and policy reforms with a more strategic and integrated approach. Second, future assistance should build on the success of the Food Safety and Harmonization activities in marshaling the forces of private sector leaders and

organizations to define problems, find solutions and influence the political process. Third, The National Customs Information System (NCIS) was designed to increase transparency and provide better information for planning and control. However, by the end of TAPR II it will not be operating according to international standards and will not be sustainable. Additional training and technical support is needed. USAID should consider sharing the cost of technical support during the initial operation of the system. The GOE should pay the full costs on an ongoing basis starting in year two of operations.

Component B. If the GOE wants consultants with fees in excess of USAID limits, they should pay for them with their resources, or they should use World Bank Group or IMF assistance, which is often free. USAID forecasts of requests for technical assistance should not neglect the potential impact of consultant fee limits on requests from the financial sector. Second, support for further financial support for regulatory reform may be needed in the institutions TAPR II has supported, given the major changes that are occurring worldwide in response to the financial crisis.

Component C: Three major lessons emerge from this component. First, success depends on **verified commitment for the reforms in the recipient institution,** not just at the institution's highest level. We recommend that for future undertakings USAID analyses go beyond the Ministerial level and assess support at the working level. Secondly, prompt responsiveness and easy transfer of funds between components and sub-components should be continued, because they make a project more effective. Third, **IT is inherently more complex than providing advice or technical reports. We recommend closer management of IT programs and recognize this will take a longer term commitment.**

The Tax Authority is aware of the need for further support of its new IT system, particularly in the context of the likely reorganization of the numerous, district tax offices. This reorganization would involve implementation throughout Egypt of the streamlined processes and procedures that were developed under TAPR II and implemented using the new IT system in pilot offices. The reorganization would probably include some reduction in the large number of district offices. The Tax Authority is, appropriately, already negotiating a support/maintenance contract for continuation of the existing sub-contractors, Bull/Raya, for at least an additional year after TAPR II closes. To make this process more effective, the **Tax Authority would benefit from two outside technical advisors.** A full-time IT advisor could play a role similar to that played by the IT advisor in TAPR II, for at least the next year and perhaps a second. This advisor would assist in the management of the national roll-out of the IT system and help the Tax Authority maximize the benefits of the new IT system.

Component D: This component helped Egypt make meaningful improvements in the business environment. Champions of economic reform have been supported through effective training and customized technical assistance. **The first recommendation is to strengthen government coordination with the private sector** to reap benefits from the 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, and a future project would benefit from a representative consultative body for the overall project. Second, **USAID should engage the government in 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 feeling 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.**

Component E: Under this component, Facilitating Services for the Private Sector, the evaluation found that the Government of Egypt, 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 Tamayouz and the SSBC are weak. The evaluation suggests that mutual benefits can be gained 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 public private partnership between the Government of Egypt regulators and the Chamber of Commerce in Cairo is an excellent example of service integration, cooperation and service based financial sustainability.

Component F is closed.

Component G: This component demonstrated the importance of a monitoring and evaluation system attuned to the unique needs of a project. It proved of great value since it had the flexibility to deal with a continual opening and closing of TAPR II activities, and sub-components which could have made performance monitoring difficult. The M&E system generated the management information that the project's implementers and USAID needed to keep on top of a broad range of activities. TAPR II also provided effective M&E support to USAID's Economic Growth Office of Policy and Private Sector (PPS). The TAPR II EGLink Newsletter is a useful way to communicate TAPR II results to interested GOE and private sector leaders.

At the start, GOE Ministers were very interested in the TAPR II housing and privatization studies, but the housing studies were not acted upon and recently the GOE decided to abandon its privatization program. The Behind the Borders Study should be useful as USAID plans its competitiveness programs.

II. Introduction

A. Purpose of the Evaluation

The evaluation's scope of work calls for the evaluation 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 Government of Egypt's (GOE) economic reform program; improve the focus and timeliness of technical assistance being provided; and sharpen the internal management by both the United States Agency for International and the contractor. The evaluation documents significant project successes and failures to date, identifies possible opportunities for additional support to the GOE's economic reform program, and assess the suitability to date of this type of "umbrella" technical assistance. The evaluation team was told by USAID that the present TAPR II project will be ending soon. Rather than recommend changes to the current project approach, the evaluation team placed major emphasis on the project's successes and failures that could help USAID design future policy reform programs.

B. Evaluation Questions

The evaluation addressed the following questions from the Evaluation Scope of Work:

1. Strategic Focus: Assess strengths and weaknesses of TAPR II teams and tasks including successes and failures under each of the seven Components. What were causes and critical factors for weaknesses and successes? Was the underlying premise of TAPR II valid? This will address what process is followed by TAPR II to ensure that its activities:
 - address key, strategically important, economic growth issues in Egypt
 - are consistent with the purpose, objectives, scope and terms of the contract, and are consistent with the USAID mission Assistance Objective (AO) 16.
 - To date, how strategically focused have TAPR II's activities been?
2. What were the major accomplishments in each of the TAPR II Components? Did TAPR II achieve the planned results under each component?
3. Assess effectiveness of the IT activities for Customs, Commercial Registry, Tax Administration, Smart Service Business Center, and other major IT activities.
4. Document and describe lessons learned during the implementation of TAPR II, and possible areas for follow on activities, if any, should be identified.

5. Management and Organization: How effective have the TAPR II organizational and management structures been in supporting implementation to achieve the activity purpose and produce outputs/outcomes?
6. How has the technical assistance provided by the contractor contributed to the efficiency of the participating counterparts such as Ministry of Finance, Ministry of Trade and Industry, and Ministry of Investment? In this regard, the evaluation team shall:
 - assess the adequacy of the balance between the use of expatriate and local expertise;
 - assess the soundness and utility of: analytic studies carried out by TAPR II; TAPR II's Performance Monitoring work; and TAPR II's cash transfer monitoring and verification work
 - assess the strategic fit of TAPR II training and procurement activities; to what extent do training and procurement contribute to TA objectives
 - assess the extent to which TAPR II activities have addressed sustainability issues and built sustainable capacity within the GOE.
7. Have TAPR II activities been adequately coordinated with other activities implemented by PPS, other USAID offices, or by other donors? And what are the lessons learned?

To answer the questions from the scope of work, the evaluation analysis was designed to assess, for each of the seven project components, what was successful and worked effectively, where were the problems; and what are the lessons that could help USAID as it plans future programs. We used the Evaluation SOW to develop common questions for each of the seven components. In addition, each component had its own unique issues and problems that required more specific sector questions. Those were included as a way to identify unique sector issues related to the scope of work questions. There were seven key questions that were asked during all interviews, which were then followed by questions tailored to the specific technical issues of each component.

The seven key questions were:

1. From your perspective, how successful has the project been in achieving its objectives?
2. How skilled was the technical assistance of the contractor's staff and consultants?
3. How effectively has the TAPR II Project supported your organization?
4. Is the management and operating system working effectively?
5. What can you say about the coordination between yourself and your organization with the TAPR II Project and USAID personnel?
6. What are the specific plans and resources for continuing the programs into the future?

7. Finally, what are the primary lessons-learned to better develop the necessary skills to meet the needs of a competitive economy?

The detailed questionnaires used for each of the seven Components are in Annex 5 of this report.

C. Previous Projects

TAPR I was implemented between 1997 and 2004 and concentrated on monitoring and verifying a series of policy reform based cash transfers. Studies were carried out to support the development of policy reform measures and performance benchmarks included in the cash transfers. In addition to this primary focus, in response to requests by the Government and USAID, TAPR I also provided short term consultants who prepared studies in such areas as pensions, customs, housing, competition policy, and commercial law reform; a long term consultant in actuarial studies; and support for conferences, workshops, and several publications of sponsored economic studies by Egyptian researchers.

In the period prior to TAPR II, USAID supported several stand-alone projects that provided comprehensive assistance in the areas of trade policy reform, intellectual property rights, privatization, export promotion, commercial law development, tax reform, insurance reform, development of the capital market authority, and the administration of justice. In several instances, as those projects came to an end, the work was continued under TAPR II – sometimes with the same personnel and through subcontracts with the same implementing firms.

D. Reasons for an Umbrella Project

With the appointment of a new Cabinet in Egypt in mid-2004, for the first time Ministers with private business experience were given economic portfolios. Under the new cabinet, the Government of Egypt (GOE) embarked on an aggressive economic reform program. This reform effort generated more demand for USAID assistance in the economic sector. As the Government's reform program evolved and deepened, it became clear to USAID that a rather broad, flexible response mechanism was needed. USAID's overall objective was to have an approach that provided a comprehensive and flexible source of technical assistance to Egyptian reformers to help them define and implement their reform visions. USAID also concluded that, in the area of economic reform, it was desirable to have a flexible funding mechanism that could shift funds between activities as sub-objectives were more clearly conceptualized and funding requirements identified.

USAID/ Washington management guidance at the time of developing TAPR II was to seek ways to reduce staff. This led to the conclusion that effective management of the USAID assistance program required that assistance activities be grouped into fewer implementation units whenever feasible. Perhaps most importantly, at the time TAPR II

was developed, the process of negotiating assistance agreements at the political level in the GOE and obtaining final USG approval for USAID projects had become extremely time consuming. For this reason, having only one project to negotiate that had the internal flexibility to adjust to evolving needs was particularly attractive.

Given the above considerations, TAPR II was structured to integrate in one contract a range of assistance that was desired by the economic ministries and agencies. TAPR II was also designed to maximize the ability to provide assistance that responded to the needs of customer-driven reform programs. While TAPR II was designed to support a wide range of activities, the support provided to any specific activity was to be tailored to fit the needs and objectives of the particular client. Since it covers a range of activities, it has been referred to as an “Umbrella Project.”

E. TAPR II LOP Costs by Component Categories (As of July 22, 2010)

<u>Components</u>	<u>Dollars</u>	<u>Share</u>
A. Trade Environment	\$27,435,619	21%
B. Financial Sector Modernization	\$19,617,997	15%
C. Enabling Business Policy Environment	\$27,659,403	22%
D. Macroeconomic Stability	\$ 6,093,371	5%
E. Facilitating Private Sector Services	\$17,349,419	13%
F. Human Resources Development	\$ 6,916,213	5%
G. Program Support Assistance	\$19,861,271	15%
TAPR II Contractor’s Fixed Fee	\$ 5,681,018	4%
TOTAL	\$130,614,311	100%

III. Methodology - Research Design and Its Limitations

The evaluation assessed overall TAPR II performance, with an analysis of successes, problems and particularly results, since TAPR II comes to an end soon..

Since a comprehensive midterm evaluation was completed in 2008, this evaluation was able to build on the findings of that evaluation. TAPR II has seven different program components, and each component was analyzed for effectiveness, efficiency, impact and sustainability by one of the evaluation team’s four economists. They each prepared a data collection protocol that listed the issues for their component. Data and reports were collected and analyzed, although quantitative data was limited. It was necessary to draw on qualitative data collected through in-depth key informant interviews with USAID, TAPR II’s contract staff, and Egyptian Government officials and staff working with the TAPR II program.

For each component, a list of specific questions was asked at each interview (see Annex 5). That allowed a process of “triangulation,” with the same questions posed to different stakeholders. While economic or political interests of different groups generate different perspectives, we found that similar patterns could be identified. When the same experiences, results or problems were reported from a large enough sample, the correlation among respondents was strong and it generated clear findings.

Since USAID needs information on results, the final objective was to clearly identify what worked well, what didn’t work well, reasons for success or weak results and finally to make recommendations that might be useful in future USAID programs.

There are of course limitations on any research design. The evaluation team had only 15 work days to collect data, complete the interviews, analyze the data collected and draft the evaluation report. More time might have generated additional findings. The key participants were interviewed, but it might have been useful to talk to the actual beneficiaries of TAPR II training and other services to learn how they had applied their training. It would also have been useful to talk to participants of activities that were not successful, to find out why things did not go forward.

IV. TAPR II Components

A. Trade and Investment Environment: Customs Reform, Trade Facilitation and Trade Policy

1. Overview

The goal of this component is to achieve measurable improvements in Egypt’s trade environment and to ensure that these improvements benefit both businesses and individuals. The approach was to deliver results through mentoring, on-the-job training, institutional reform, coordination, and integration. The component has three sub components --- customs reform, trade facilitation and trade policy. 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 nation requires. An efficient and transparent customs service and related trade facilitation services are also necessary to provide an environment conducive to private sector led economic growth. This objective has been a part of USAID’s strategy for a number of years, and this component contributes directly to the achievement of USAID’s Intermediate Result 16.2, “Trade and Investment Facilitated.”

As an umbrella project, TAPR II was designed to incorporate activities initiated under previous projects. In the case of customs reform, TAPR II was partly funded from a

USAID grant agreement to provide support to the Egyptian Customs Authority. This grant agreement, which was additional to TARP II resources, funded activities such as Initial Implementation Tasks for Customs (IITC) and Assistance for Customs and Trade Facilitation (ACTF). TAPR II's design also built on a program of support for trade facilitation and trade policy, mainly through the Ministry of Trade and Industry (MTI), begun under the Assistance for Trade Reform (ATR) project that ended in September 2006 and the Chief of Party of ATR moved over to TAPR II to lead Component A. All counterparts interviewed were extremely appreciative of the assistance provided by the project, and most had a clear vision of the next level of reforms and the support they needed to achieve them.

Component A received 21 percent of TAPR II funds, most of which is allocated to customs reform, and completed 133 activities, 13% of the TAPR II total, according to the latest report for year five.

2. Customs Reform

The Egyptian Customs Authority has undergone a transformation and USAID played a key role in helping make it happen. Customs officials and business leaders agree that better trained customs agents, simplified customs procedures, and other reforms have allowed Egypt to become more business friendly. This is a crowning achievement for Egypt and a key factor contributing to Egypt achieving recognition as one of the best reformers in the World Bank Doing Business survey in 2007.

Another major hurdle achieved with TAPR II assistance is parliamentary approval of the World Customs Organization (WCO) Kyoto Accord in January, 2008. The TAPR II project contributed to this milestone and international recognition primarily through helping simplify customs procedures to bring them into compliance with World Trade Organization (WTO) and WCO standards, training of customs staff, and supporting reorganization of the Egyptian Customs Authority (ECA), including MBA training for more than 100 customs managers that is being continued by the GOE. Customs agents better understand their responsibilities, and the new measures have increased customs revenues even though agents no longer have revenue targets.

To improve coordination with other players, the TAPR II project supported the continuation of the Alexandria Customs Trade Facilitation Advisory Group that was started under a previous project and continues to provide a mechanism for dialog on customs reform and a sounding board for current and future programs. ECA needs to take the initiative, in cooperation with private sector members, to bring in other government agencies, such as the General Organization for Export and Import Control (GOEIC), and expand to other port areas. Executives of shipping companies and freight forwarders can be effective advocates for reform, but they expect trade facilitation to be treated in an integrated way, not ministry by ministry, and would like to see more coordination among interested government agencies.

Customs reforms such as pre-arrival release, release on minimum documentation, appropriate penalties, and post clearance payment required a new legal framework, and the TAPR II project provided assistance to help draft a new customs law that met international standards. The project assisted in a series of stakeholder consultations and rewrites of the 47-year-old law and helped implement regulations and changes in standard operating procedures following passage of the law. But the law has not been submitted to the Cabinet, even though a USAID \$30 million Cash Transfer payment is pending completion of this benchmark.

By simplifying and streamlining procedures while preparing for automation, the TAPR II project helped ECA reduce the time taken to clear commodities and reduce the cost of importing. A system of risk management was established whereby declarations meeting certain criteria could be channeled into a green line for expedited clearance without physical inspection, while the remaining goods receive routine processing. About 40%-50% of goods now flow through the green line. The number of signatures required to clear goods through customs was reduced from 26 to 2.

Modern customs centers were built with Egyptian resources in the main port of Alexandria and a couple of other ports. Shippers and brokers bring their manifests, bills of lading and supporting documents to these centers where they are entered into computers and sent electronically to the committee for document examination, which is housed in a separate building. This electronic processing removes the opportunity for facilitation payments (corruption). These reforms resulted in the clearance of imported commodities in 9 days, on average, instead of 14 days before the changes. This helped Egypt partially meet a policy reform benchmark for USAID's Cash Transfer program. The volume of trade continued its rapid growth in spite of the global financial crisis, topping \$127 billion, almost double the level at the time the project started.

In spite of these achievements, there is still much room for improvement in customs operations. ECA has over 17,000 poorly paid employees, many of whom are comfortable with the current system. Further reductions in clearance times depend on simplifying procedures of other agencies, changing the law, and centralizing and integrating the automated information systems currently in use. These are laudable goals that are supported by some, but met with indifference or opposition by others. Unlike the tax IT system, a law simplifying the procedures of other agencies has not been passed to pave the way, and staff have not adequately been prepared to implement the changes, if a law is passed.

Improvement in the automation of customs procedures to increase transparency and provide better information for planning and control was a deliverable for the TAPR II project from the beginning. In early 2006, the TAPR II project supported a gap analysis to evaluate whether the current system, an overlapping system of manual and stand-alone automated processes, could be upgraded to meet ECA requirements, or if a complete replacement was needed. Based on the analysis, the Minister of Finance agreed that a complete replacement was needed. In August, 2006 a RFP was issued under the TAPR II

project to design and install a National Customs Information System (NCIS), with ECA and Ministry of Finance (MOF) input.

By March, 2007, the winning offer was selected by a TAPR II committee composed of TAPR II's Information Technology and customs experts and Ministry of Finance (MOF) and ECA officials. Another six months was needed to secure approval from USAID's Information Resource Management and Contracts offices. In September, 2007, a subcontract was signed with an American-Egyptian firm in a joint venture with an international company. The \$10.2 million contract called for the installation of a web-based information system based on MicroClear software that would be accessible in all ports. The contractor was responsible for the design, installation, testing, data migration, and training for system operators, customs agents and users, in cooperation with ECA, to be completed in 18 months, about the time of the original end date of the USAID TAPR II contract.

In early 2008, the mid-term evaluation found that the NCIS was unlikely to be completed on time. USAID did require the subcontractor to bring teams to Egypt and address remaining customization in country, but the subcontractor was allowed to proceed on an extremely ambitious project with an unrealistic time frame and limited budget. Work on the contract did not begin until April, 2008, when a committee composed of MOF and ECA advisors agreed on the System Requirement Specification Document, outlining in detail the functional requirements of the automated system.

As the subcontractor began ordering the hardware and customizing the software, TAPR II experts had limited access to ECA staff and those who were involved were uncooperative. The Advisor to the Minister of Finance, who had coordinated the project from the GOE side until December, 2008, and his staff were replaced. This created coordination problems and other complications. Also, in the midst of implementation, the Egyptian company, which was the prime contractor, withdrew from the contract and the subcontractor became the prime. In keeping with a commitment to maintain the system following the end of the TAPR II project, the original subcontractor, now the prime contractor, promised to support the system for one year following turnover and offered to operate and maintain the system for an additional two years following installation. However, the MOF has not executed a contract for the operations and maintenance work, and it is not clear when or if a contract will be executed.

Although the positions of the ECA and the subcontractor, now prime contractor, on the acceptability of the NCIS were far apart after user tests in January and June, 2010, the evaluators were told that the differences have been resolved and the system will be completed on time according to the following agreements. The operations that failed to meet the original specifications have been or soon will be corrected by the subcontractor. In addition, the subcontractor has agreed to upgrade certain items that could be changed at little cost to improve the system. The ECA agreed to forego changes that exceed the original specifications and cannot be completed within the time and resources available, including changes that would have re-introduced opportunities for individual discretion (corruption) which the new system is designed to eliminate. These agreements are

contained in a list of findings of the test results covering all 32 functional areas of the system.

According to the agreement, the remaining actions to complete the project are as follows. The system will be rolled out and tested simultaneously in a three phase process, beginning in Alexandria, to verify the acceptability and the functionality of the changes. Simultaneously, training will begin for the several hundred ECA users, IT specialists and outside users. The pilot roll out will continue in Port Said to test transit and other operations that cannot be tested in one port. Finally, specialized operations will be tested with the roll out to Cairo.

Although the project has been extended twice and the USAID Activity Manager and the TAPR II Component Manager are both intensively engaged with the ECA and the subcontractor, the NCIS is not sustainable in its current state and it is unlikely it will be completed as originally planned by the end of TAPR II on September 30, 2010. If the process outlined above is completed on schedule, the NCIS may be turned over to the ECA. However, without further assistance, ECA will be left to operate the system without the support and training originally envisaged. Also, without further support, there is a risk the system will fail to achieve many of the objectives it was designed to provide.

The NCIS continues to require high level management by both USAID and the contractor. They must continue to provide hands-on management of the NCIS, which must be closely monitored through completion and turnover, to ensure it receives adequate support from contractors and the Government of Egypt (GOE) so that it achieves its objectives after TAPR II ends.

USAID should review the status of NCIS implementation with the Minister of Finance and the Commissioner of Customs. If all parties are still committed to completely replace the current system with the National Customs Information System (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 that project objectives are met. In keeping with its commitment to maintain the system following the end of TAPR II, the Government of Egypt 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.

3. Trade Facilitation and Policy

As a result of TAPR II's assistance in analyzing tariff rates in conformity with the latest harmonized system from the World Customs Organization (WCO), the ECA reduced duty rates and simplified tariff categories in 2007. As a result, the weighted average

tariff rate on imported goods declined from 14.6% to 6.9%. Importers say this has been one of the most effective policy measures taken by the government to increase trade.

TAPR II supported a number of trade facilitation and policy activities at the beginning of the project designed to support the Ministry of Trade and Industry (MTI) in improving trade. Over 40 MTI staff received scholarships for law degrees and graduate degrees in business and economics. Most activities were built on work started under the Assistance to Trade Reform (ATR) project. For example, strengthening the World Trade Office (WTO) Analysis Unit of the Ministry of Trade and Investment (MTI), created with ATR assistance, was highly successful and the unit has become an active and credible leader in Egypt's efforts to increase trade, without the need for direct support. However, other activities, such as the revision of the 80 year old Import-Export Law and Regulations and the revision of internal trade laws to bring them up to international standards, lost momentum and businesses are still subject to multiple, duplicate procedures and long delays to secure licenses to import and export.

TAPR II also helped the Qualified Industrial Zones (QIZ) Unit at MTI to analyze the constraints on growth of garment exports, valued at approximately \$1.3 billion annually, and how these constraints can be addressed. Other activities, such as training for MTI and ECA staff on enforcement of Rules of Origin and support to the Trade Policy Analysis Unit in the form of training, technical support on studies and internships, improved the human capacity of each agency. TAPR II also provided support to the Ministry of Transportation to review the efficiency of port transportation and to develop a strategy for encouraging multi-modal transportation services and establishing a port regulator. In general, these trade facilitation activities had a low impact due to the lack of inter-ministerial coordination.

The creation of a Food Safety Agency has great potential, not only to boost trade, but also to improve the health of Egypt's population and the progress achieved to date would not have been possible without TAPR II's support. Timely project support to the Steering Committee on Food Safety and its four working groups, coupled with strong leadership from the Director of the Food Safety Management Unit, strong support from the Chamber of Food Industry, a highly influential organization of major food processors, importers and exporters, and an effective public awareness program, built momentum for the creation of the agency. Resistance from other ministries derailed plans to enact a new food safety law and create an autonomous food safety agency. The Director of the Food Safety Management Unit expressed disappointment that the law was not passed, but was optimistic that the legislation would eventually be passed. As a lesson learned, the Director said: "It may not happen the way you plan, but this type of change is unstoppable." Prospects are good for the creation of the agency under the authority of the Prime Minister as an interim measure."

Demonstrating the advantages of its flexible nature, TAPR II resources were used to seize an opportunity to improve trade facilitation, increase WTO compliance and pave the way for increased trade by responding to a request from the Egyptian Organization for Standards (EOS) in the last year of the project. Following the signature of a strategic

agreement between the U.S. Trade Representative and MTI in March, 2010 and the appointment of a new EOS Chairman, the Component Leader initiated collaboration on harmonization of standards that shows great promise. The Chairman used the first mission of experts to convene business, environmental and government leaders, with the participation of the Minister of Trade and Industry, to focus attention on the problem of outdated and overlapping standards on textiles and garments. A second mission focused on market regulation and laboratory standards for textiles and garments is planned for September. The new standards drafted as a result of this second mission are under review and are expected to be released within six weeks. The Chairman wants to follow this process with a similar approach for the food sector by sending teams to visit the U.S. to familiarize EOS managers with U.S. standards. The visits will facilitate future trade negotiations, given the nature of the Egyptian system, which is based on British and German models.

B. Financial Sector Modernization: Egyptian Financial Supervisory Authority, Egyptian Banking Institute, and Pension Reform

1. Overview

The goal of Component B is “a more efficient financial sector, contributing to growth”. Component B covered various areas in the financial sector and achieved a number of important successes. It accounted for about 15 percent of the TAPR II budget and completed deliverables averaged about 40 per year. The deliverables included consultants, papers, advice and training.

All of the tasks examined were very demand- driven, following the fundamental approach of TAPR II. Component B started slowly under the first Component Manager who soon left the project; it grew much faster in year 2, under a new Component Manager that has remained with TAPR II since then. All counterparts interviewed during the final evaluation rated the Component Manager and the USAID Activity Manager highly and were happy with the prompt, high quality support they received under Component B. Funds were shifted promptly and appropriately to meet demands. TAPR II contributed to the development of the Central Bank’s real time gross settlement system for payments between banks, the Egyptian Banking Institute, and risk-based supervision of insurance companies in the Egyptian Insurance Supervisory Authority (EISA). EISA is now part of the Egyptian Financial Supervisory Authority that was set up with TAPR II support.

2. Central Bank of Egypt (CBE)

Payments System The TAPR II project played an important role in the installation of the first Real-Time Gross Payments System (RTGS) for payments between banks, a major achievement. A RTGS system is a critical technical element in avoiding

breakdowns in payments between banks and the resulting financial crises. Weak payments systems have been major factors in financial crises and caused large government losses in various developing countries, including India, Indonesia, and Peru. A good RTGS is a standard recommendation of the World Bank-IMF Financial Sector Assessments.

The CBE considers the TAPR II project to have been very helpful in its support for the CBE's installation of the RTGS. TAPR II funded a consultant and a project management firm that advised the CBE on processes that would be needed for the RTGS. The EU funded an off-the shelf software package that would be modified to meet Egypt's needs; and CBE funded the hardware. The whole process began in 2006. CBE sought a project management firm to manage the installation of the system; in December, the CBE contacted USAID. Project management firms were identified; one was chosen through competitive bidding and, funded by TAPR II. The firm began work in May 2007. The TAPR II-funded consultants were of major assistance to the CBE in its dealings with the software firm.

The overriding approach was to develop a basic, working RTGS, which could be modified later after the basic system was functioning. The project management firm and CBE worked with the software firm to ensure hands-on, on-the job training so that CBE staff would be able to operate the system fully when it was completed. The project management firm and CBE also developed more appropriate test cases to be used to test the functionality of the system. In addition to the RTGS, TAPR II funded business consultants advised the CBE on internal policy and operating changes that needed to be implemented in order to operate the RTGS.

The RTGS began operating in March 2009, about 7 months later than had optimistically been projected originally. The system has not only been running in Egypt for over 15 months, but CBE personnel now attend international conferences on RTGS and provide advice to other countries on developing and operating them. In addition, the CBE is now developing a retail payments system, for transactions between non-financial firms and individuals, a new area in which TAPR II-funded consultants are playing an important role in defining the necessary laws and regulations.

An important issue that remains for the sustainability and development of Egypt's RTGS is the possible future loss of its personnel. Demand is increasing in developing countries for experienced software professionals such as those that work on Egypt's RTGS. Care must be taken that key Egyptian professionals are not bid away by other countries or backups need to be trained. The easing of salary constraints in CBE will help retain key professionals.

Originally, a variety of tasks were discussed, in line with the notional tasks listed in the TAPR II project proposal document. However, the CBE showed little interest. The TAPR Project has successfully provided some support but the CBE has been a reluctant client for three major reasons. First, many of the proposed tasks were politically sensitive and the CBE does not want foreign advisors involved. Second, the CBE has access to a variety of alternate sources for technical assistance, including the European Union, the IMF, and the World Bank. Third, the USAID consultant fee limit raises quality issues in the minds of many CBE managers. These managers, who often are Egyptians who returned to the Central Bank from international banks at the beginning of the reform, were accustomed to much higher salaries for consultants and their own salaries have been at such levels. To them, judging quality by price, they may consider consultants subject to the USAID consultant fee limits as low quality. This issue also applies to locally based Egyptian consultants who face a USAID salary limit. Moreover, in a few initial cases the CBE thought that a few TAPR II consultants performed poorly, confirming this initial view. In addition, some requests for support by the CBE encountered problems due to USAID rules regarding sole-source procurement. These issues have been overcome to some degree. While the CBE received TAPR II support to send CBE personnel to other countries to see how other central banks have restructured their operations, the CBE generally remains a reluctant client for TAPR II support.

3. Egyptian Banking Institute (EBI) Training

With support from TAPR II, the EBI has improved substantially. For the last five years it has been accredited by the U.S. Accrediting Council for Continuing Education and Training and its training is judged internationally acceptable, as evidenced by its winning a World Bank contract to train Iraqi bankers. Both of these successes fulfilled objectives in the original TAPR II project for support of EBI. The EBI Director considers their TAPR II Component Leader and the USAID Activity Manager as very helpful in the process of improvement and in resolving promptly any problems that developed.

Support under TAPR II for the EBI began in year one of the project. The EBI, which was founded in 1991 and is sponsored by the CBE, had already been in operation for many years. Most commercial banks in Egypt are members of the EBI and the EBI has trained about 20,000 bankers and CBE staff, including multiple enrollments. An objective for TAPR II support was to improve the institute as a way to improve the sustainability of Egypt's financial reform through continuous improvement in bank personnel.

There were three specific tasks: to help the EBI obtain international accreditation, upgrade the program to ensure that the EBI maintains high quality over time, and to improve the EBI staff. This involved developing a plan for improving the institute; developing courses for EBI staff; setting up a plan for achieving accreditation; and a plan to "train the trainers." The training of trainers included linking the EBI with the University of Wisconsin's Institute of Banking, where EBI trainers have been sent. The

EBI was also linked with the US Federal Deposit Insurance Corporation, which is a major supervisor of banks in the U.S. Another goal was to make the EBI self-supporting from fees that it would charge banks from Egypt and other countries for high quality, accredited courses. While some foreign students have always attended the EBI, as noted earlier the number will increase with the recent winning of a World Bank contract to train Iraqi bankers. The EBI has also been responsive to new demands for example, by recently creating a program to improve small and medium lending programs.

TAPR II support has helped the EBI develop into a successful institution. One new issue is that the EBI is now strongly considering advancing to the status of a degree-granting institution. A move to become more like an academic institution is different from training banking staff on how to be successful bankers. The management of EBI needs to be careful to maintain and continue to improve the areas where it has recently been successful, and not overly focus on efforts to become an academic institution.

4. Egyptian Insurance Supervisory Authority (EISA) and Insurance Reform.

TAPR II support to EISA was considered excellent and was highly appreciated by the Chairman. TAPR II provided substantial support for EISA's institutional reorganization and development of its capacity for risk-based supervision of insurance companies. Risk-based supervision was a priority for the Minister of Investment, given the on-going reform of Egypt's insurance industry. EISA began by reorganizing into insurance and pension (private) fund departments.

To support EISA, TAPR II funded IT support, and staff for other activities. Training, including spending time working with insurance supervisors in the U.S. Hands-on training support was provided in risk-based supervision, with emphasis on a "team of champions" that has now begun risk-based supervision as they lead the other EISA divisions in this task. TAPR II also supported overseas training of actuaries, which are lacking in Egypt.

Regarding medical insurance, TAPR II support facilitated meetings between EISA and the Ministry of Health to create a clear understanding of EISA's role as a supervisor of the finances of health insurance institutions, while the Ministry of Health is responsible for health issues. The revised EISA organizational chart provided for eventual inclusion of supervisors of medical insurance firms.

Progress on the supervision of private pension firms, was less rapid. However, overall pension reform has slowed, and supervision of the existing private pension sector faces a number of sensitive issues, including the solvency of the pension funds, which were only examined after the reforms started. A standard reporting form for existing pension funds was developed with TAPR II help and actuaries were banned from both evaluating funds and supervising them, a long-standing weakness.

In addition to its work with EISA, TAPR II support contributed to the drafts of the Insurance Law and the Pension Law. TAPR II also provided a draft Medical Insurance Law and associated regulations to EISA.

This sub-component was closed when EISA was turned into a division of the Egyptian Financial Supervisory Authority (EFSA) when it opened in July 1, 2009. The then-chairman of EISA became a deputy chairman of the Egyptian Financial Supervisory Authority, and further support to insurance supervision will be done through EFSA.

5. Egyptian Financial Supervisory Authority (EFSA)

The EFSA opened on July 1 2009, under the Ministry of Investment. EFSA integrated EISA, the Capital Markets Authority and the Mortgage Finance Authority as departments. Other countries have used this approach to combine financial supervisory authority under one roof, but in Egypt, as in some other countries, banking supervision remains with the Central Bank. In response to requests from the Ministry of Investment, TAPR II has supported the formation of ESFA in various ways, including help with the law, regulations, organizational structure and human resources of ESFA. As the recent international financial crisis illustrated, considerable effort must be made to ensure good communications between multiple financial regulators and their actions must be consistent. The recent financial crisis also has led to significant changes in financial regulation and the institutions carrying out financial regulation, in particular to use combined supervision to focus on systemically-important institutions. It would be desirable to ensure that TAPR II support continues to help EFSA keep it abreast of these new approaches and institutional changes in the future.

6. Pension Reform

TAPR II support for pension reform has slowed. The law reforming government-operated pensions has been enacted and goes into effect in 2012. The law for private pensions is still under discussion, as political decisions still need to be taken on tax treatment and other issues related to private pensions.

TAPR II Component C, provided advice to the government on the draft pension law in 2006, after which TAPRR II's support was shifted to Component B. This shift reflected a change in the Government's focus on the reform to private pensions, USAID's desire to balance the Components of TAPR II, and the desire of the new Government Counterpart for Component C to work with the TAPR II counterpart in Component B, with whom he had previously worked. Under Component B, support was given to improve the "friendliness" of public pensions, for example, by setting- up a call center to answer questions and request assistance on public pensions. Pension policy advice in Component B has focused on private pensions. Given the current status of pension reform, TAPR II's involvement in pension reform has been minimal.

7. Capital Market Reform

The TAPR II project initially undertook work with the Capital Market Authority (CMA) to prepare for risk-based supervision of capital market brokers. However, a new CMA Chairman had little interest in this area. He also felt that the salaries for consultants provided under the TAPR II project were much lower than those he considered to be internationally competitive for the best people. Given this lack of interest, future work in this sub-component was put on hold, and then closed. Any support to Capital Market development would now be through EFSA.

8. Entrepreneurship and Corporate Social Responsibilities.

These two sub-components were started only recently and were not evaluated in this review.

9. Coordination Between Component B and Other Donors

Component B's coordination with other donors was through regular meetings with donors active in financial sector reform. The TAPR II Component B Team Leader and the USAID Activity Manager in the Financial Sector typically attended these meetings. The meetings took place 6-8 times per year and were hosted by the World Bank.

The World Bank, beginning in 2006 carried out 3 sequential loans of \$500 million each to support Financial Reforms in Egypt, a \$300 million loan for lending to small and medium enterprises (SMEs) and various economic studies. The other participants, in addition to TAPR II and USAID, included: the African Development Bank, which co-financed the first of the World Bank's large loans to SMEs; the European Union, which provided technical assistance to improve bank supervision and management of the state-owned banks; and various non-governmental organizations. Component B's activities to improve the supervisory quality of the EISA and the startup of EFSA were important underpinnings for the World Bank's loans. Component B's support for improvement of the EBI ultimately led to EBI's winning a contract for training of Iraq bankers, which was administered by the World Bank's Egypt Office.

C. Macroeconomic Stability: Tax Policy and Administration, Public Private Partnership, and enhancing capacity within the Ministry of Finance

1. Overview

Egypt's Ministry of Finance (MOF) has made major reforms in the tax system and its administration since 2004, with effective support from the TAPR II project's Component C. The reforms simplified the tax system substantially and reduced opportunities for

corruption, while keeping revenue and the number of paying taxpayers on the rise. The MOF was the sole focus of Component C.

The MOF, particularly the tax department in the Ministry (now Tax Authority), feels that TAPR II and USAID added substantial value to the reform process and that the Component C Leader and most TAPR II consultants were highly qualified. TAPR II's Component C is rated well compared to technical assistance offered by the IMF and the World Bank Group.

Recent MOF support focused almost wholly on the Tax Policy and Administration sub-component. This sub-component includes an information technology (IT) project of over \$10 million that would support recent and future tax policy reforms and the associated tax administration reorganizations. Although the IT project is largely finished, some parts were still in progress at the time of this final evaluation. Other sub-components in Component C had been closed by the time of the final evaluation mission, and no new sub components have been started.

Component C accounts for about 22 percent of TAPR II's obligated funding, making it and the similarly-sized Component A the two largest Components. IT accounts for over 1/3 of Component C's obligated funding. In the first two years of the TAPR II project, Component C dominated the planned and completed deliverables. Beginning in year three, its share of deliverables fell. This pattern appears to reflect both the readiness of the MOF to make use of TAPR II support in the first years of the project and the slower start-up of the other components. In years four and five the absolute number of deliverables in Component C was less than in year one. This decline appears to reflect decisions by USAID to focus on the Tax Policy and Administration sub-component as the project's closure approached; to close the other sub-components as their contribution was considered completed; and the lack of major new requests that had strong Ministerial commitment and which could be completed by the end of TAPR II.

2. Tax Policy and Administration.

Egypt's substantial reforms in tax policy include:

- A new income tax law allowed self assessment, rather than requiring income tax submissions to be approved by MOF officials. The regulations that made this change effective were supported by Component C.
- Stamp taxes were reduced substantially in number and scope in a new law. In the past, stamp taxes had been a problem for the public and had complicated and increased the cost of financial transactions. The TAPR II project assisted substantially in this reform.
- A new regime for administration of large and medium taxpayers was set up. A large taxpayer unit was created and placed directly under the Minister. It was

moved under the Tax Commissioner in the Tax Authority in 2009, after the Authority had been established by law. The unit uses a special computer “bridge”, which was supported by the TAPR II project, to combine income and sales tax data for the relatively few, large taxpayers. In addition, three pilot medium taxpayer units were set up.

- In the Sales Tax, the exemption and registration thresholds were raised significantly, removing most small and micro businesses from sales taxes. They were moved into a simplified income tax regime, along with small taxpayers that are not involved in the sales tax. The TAPR II project has provided substantial advice on the tax regime for small and micro businesses.

Integration of the sales and income tax departments is a goal of the Minister, but it has not yet been achieved. Consultants provided under TAPR II provided substantial advice on the benefits of this integration and the process to implement it. MOF is also considering ways to create a general sales tax that will essentially convert the sales tax into a Value Added Tax, on which TAPR II’s advisors have also provided advice. MOF also has developed a property tax law, based on assessed rental income, which is expected to go into effect in 2011. There are also plans for further reorganization of the Tax Authority that have been approved in principle, but postponed.

The IT project in Component C was part of the 5 year strategy plan of the MOF to improve performance of the main tax administration functions — basically registration, processing, information on taxpayers, collection, audit, and appeals — integrate them, and provide the basis for further development of the tax functions. A contract for the system and its installation, as well as training of Tax Authority personnel to take over and run the system and post-delivery maintenance paid for by the Tax Authority, was developed with USAID assistance with substantial input from the Tax Department and TAPR II experts. The contract was signed in 2007 between the contractor and USAID.

As with all IT installations, this was a complex system, which required many changes in the basic off-the-shelf system to meet the initial requirements, respond to possible changes that seemed desirable, and to correct bugs. All these issues are hard to handle in an initial contract. In addition, what may be the most difficult issue in IT installation is managing the contractor to meet the contract requirements, and to handle the issues mentioned above. In this case, management is being done by the Tax Authority, which has substantial experience with IT, with TAPR II project support. Issues remain regarding the sustainability of the system and its use, after it is turned over to MOF.

Progress has been made in the IT project and most, but not all requirements had been met at the time of the final evaluation mission in Cairo (July 25–August 13, 2010).

Specifically, the Large Taxpayer Unit was made operational in 2009 and the pilot Medium Taxpayer Unit in May 2010, with both units able to meet most requirements at those points. In addition, the installation in the Medium Taxpayer Unit was done as part of the hands-on-training in the Tax Authority. This training will help the MOF link the rest of the taxpayer offices to the system. The completion of the project also seems unlikely to be delayed by political issues. As a result of the prior enactment and acceptance of the major tax reforms and associated reorganizations, the Ministry and its staff have largely met some time ago the most obvious political and staff issues. Nonetheless, at the time of the evaluation mission there were only 6 weeks remaining to fully complete the requirements. As noted, IT problems are complex and correspondingly deliveries are often delayed beyond expectations, as has been the case with this project so far.

Sustainability of the IT project and whether or not it will be used to capacity are other important issues on which it is difficult to draw a conclusion. In this regard there are some positives. As noted, some useful hands-on-training has been provided, which will help in connecting other tax offices to the system once it is completed. In addition, part of the original contract was that the installer would be hired by MOF for two years after the system was delivered, to provide further maintenance and upgrading of the system as needed. MOF already has played the main role in managing the contractor, with support from the TAPR II project.

Nonetheless, it may be too early for MOF to be able to specify its problems and issues in moving forward in ways that can be easily applied to the system. This is particularly true given that the system will be delivered in a few weeks, leaving limited time for experience with it in MOF. Another difficulty may be the loss of IT personnel that are familiar with the system in both the MOF and the installer, in response to higher salaries elsewhere. If these issues become too large, then the system might end up performing only the most basic functions of taxpayer registration, return processing, and collection effectively, and not providing the hoped-for support in dealing with auditing and appeals, as well as expanding the tax network.

The Tax Authority is aware of the need for further support of its new IT system, particularly in the context of the likely reorganization of the current, numerous, district tax offices. This reorganization would involve implementation throughout Egypt of the streamlined processes and procedures that were developed under TAPR II and implemented using the new IT in pilot offices. The reorganization would probably include some reduction in the large number of district offices. The Tax Authority is, appropriately, already negotiating a support/maintenance contract for continuation of the existing sub-contractors, Bull/Raya, for at least an additional year after TAPR II closes.

To make this process more effective, the Tax Authority would benefit from two outside technical advisors. A full-time IT advisor could play a role similar to that played by the IT advisor in TAPR II, for at least the next year and perhaps a second. This advisor would assist in the management of the national roll-out of the IT system and help the Tax Authority maximize the benefits of the new IT system. Such an advisor would also be useful in helping the Tax Authority manage the contractors under the prospective support/maintenance contract. This approach was very effective under TAPR II. In addition, a functional advisor would be desirable to help with both the tax and economic impacts of the roll-out of the system --- for example, the number, location and functions of each type of tax office under the new network, and the planned implementation of a Value Added Tax (VAT) in 2012. This second advisor would also be useful in keeping the Egyptian tax system faithful to the high-level strategy developed between the Government and the IMF in 2005 and supported by TAPR II. To ensure their effectiveness and the sustainability of the effort, both advisors should work with dedicated counterparts as in the TAPR II model.

3. Public Private Partnership (PPP).

The PPP unit was set up in the MOF in mid-2006 and has made progress in a difficult environment with the support of the TAPR II project. The PPP unit's staff has to spend much of its time overseas "selling Egypt" and trying to meet potential partners. Some interest has been reported in some of the possible PPPs. However, worldwide, it has become difficult to complete PPP agreements, even in the best legal environments.

TAPR II Component C assisted the set-up of the PPP unit and provided a training program for the staff, including overseas training to learn about alternative PPP models. Component C also provided legal support for the PPP law that was enacted and also helped in the development of a web site, as well as a tool kit that has been used by the unit.

At the time of the mid-term evaluation, the PPP unit seemed underfunded and understaffed and was trying to obtain funding from the EU, the UNDP and the World Bank. The PPP unit had requested TAPR II support for training at master's degree programs, USAID felt that the unit's justification of the need for master's degrees was inadequate and declined the request. Given these issues, and TAPR II's eligibility criterion for support that includes cost sharing and sustainability on the part of the recipient organization, further support for the unit was put on hold and this sub-component has been closed.

4. Pension Reform.

This sub-component was transferred to Component B after Component C had provided support and comments on draft public and private pension laws. The public pension

reform law has been enacted, and comes into effect in 2012. The private pension law is awaiting political decisions on tax treatment before it is submitted to parliament.

5. Treasury and Budget/Support for the Treasury Single Account (TSA). The Minister of Finance made the TSA a goal based on an IMF Fiscal Affairs Department report in 2005. A TSA improves Treasury control over government spending and receipts, increases interest income for the government and makes transactions traceable throughout the government. Some changes were subsequently made. However, according to the mid-term review of TAPR II, the main MOF advisor-counterpart did not take full ownership of the multiple changes needed to set up a TSA and did not devote full time to it during the first two years of the activity.. The advisor-counterpart also complained about the quality and number of short-term consultants provided under the TAPR II project in this area, although the MOF counterparts were busy on other tasks and did not devote time to interacting with the consultants or the preparation of reports.

Difficulties occurred in matching the main advisor-counterpart's frequently changing schedule and travel with the TAPR II consultants' availability. Difficulties also seemed to have occurred in interaction between the TAPR II technical advisors and other advisor-counterparts. An IMF report in late 2007 agreed that the changes the Government had made had not produced a true TSA and, in particular, did not make full tracking of expenditures and receipts possible. After lengthy discussion and debate within MOF and with USAID and TAPR II technical advisors, a consultant advisor was appointed by the MOF and something like a chart of accounts was completed to a degree that may make it useful. All of these issues seem to be symptomatic of a lack of commitment by the MOF advisor-counterparts below the Minister and the difficulties in building their support.

In addition to the lack of ownership and commitment within the MOF, with the exception of the Minister, the TSA faced major technical issues in the complex Egyptian government. The latter included possible legal issues in establishing the Treasury as the owner of at least some of the existing, numerous sub-accounts that have been created in the CBE for Government entities; the need for substantial improvement in Treasury accounting and reporting; the need for changes in Government accounting outside the MOF to be consistent with the changes in Treasury, and the need for computerization of the whole government budget framework, not just the Treasury. All of these changes probably would have involved the MOF in a major administrative and organizational reform effort, while maintaining day-to-day operations at the same time.

The Minister acknowledged that substantial progress had been made in reducing the number of public sector non-treasury accounts; from thousands to less than 50, and that this progress had resulted in budgetary improvements.

The TAPR II project provided suggestions for reorganizing the MOF and for making improvements in the budgetary framework, none of which were adopted. This TAPR II project sub-component has been closed.

6. Debt Management, Public Enterprise Monitoring, Governance and Other Activities with the Ministry of Finance.

These sub-components were all closed after the MOF showed little interest in them and TAPR II resources were focused on other activities in Component C. In the case of Debt management, the MOF received substantial offers of support from the IMF and the World Bank Group, and the MOF Department of Debt Management considers itself able to manage debt and debt auctions. In the case of Public Enterprise and Monitoring, some assistance was provided to the MOF, but any implementation was complicated by the role of the Ministry of Investment in some of the state-owned enterprises. Other Activities involved support for tax and macroeconomic projections and assistance in improving the MOF bulletin.

7. Coordination with Other Donors.

Component C's principal coordination partner was the IMF. This link is not surprising given the potential issues in government revenues that might develop from tax reform and the IMF's programs in Egypt. Extensive discussions and coordination took place on the tax side with the IMF's Fiscal Affairs Department and Middle East Technical Assistance Center. Component C's support for tax reform was fully consistent with the discussions with the IMF. Discussions and coordination on the reforms in the MOF tax department also took place with the government of The Netherlands and Spain and with the OECD, largely regarding training in tax administration. Component C also coordinated significantly with the IMF Fiscal Affairs Department on the Treasury Single Account. Discussions and coordination on issues of general public financial management reform in the MOF also took place with the World Bank and, to a lesser extent, the European Union.

D. Enabling Business Policy Environment: Commercial Law Reform, Intellectual Property Rights, Consumer Protection, Competition Policy, and Alternative Dispute Resolution.

1. Overview

The goal of the Enabling Policy Environment component is to improve the business environment and investment through modernization of core commercial laws and the development of institutions that increase innovation, enhance accountability, facilitate transparency and encourage a wider variety of transactions. A body of commercial laws and policies, which enable rather than hinder business, encourages investment and economic growth. This component contributes directly to the achievement of USAID's Intermediate Result 16.2, "Trade and Investment Facilitated," with the specific objective of harmonizing and modernizing commercial laws and policies that promote market oriented growth.

Compared to other TAPR II components, Component D started later and received less funding. Although receiving less than 5% of total funding, it was responsible for a large share of the activities completed. Of the first two activities, one was unsuccessful (National Law Commission) and the other was moved to another component (industrial promotion policy). In December 2006, a new Component Team Leader was named who, with USAID concurrence, built and expanded Component D's portfolio of activities, to include support for protection of intellectual property rights (IPR), competitive markets and consumer rights. USAID previously supported these activities under the Intellectual Property Rights Assistance (IPRA) project and the Assistance for Trade Reform (ATR) project.

Judicial training to support economic courts was added early in 2007 at the request of the Ministry of Justice and a final activity was added to Component D's portfolio in the summer of 2008, also at the request of the GOE. This last activity was to assist the General Authority for Investment and Free Zones (GAFI) create an Alternative Dispute Resolution (ADR) Center to mediate shareholder commercial disputes.

2. Commercial Law Reform

The TAPR II project's Commercial Law reform work consisted of three activities: 1) Assistance to the National Law Commission (NLC); 2) Assistance to ministries with drafting new laws and regulations and amendments to existing laws and regulations, particularly the Ministry of Trade and Industry (MTI); and 3) Assistance to economic courts.

National Law Commission. USAID assisted in the creation of the National Law Commission (NLC) about a year before the start of the TAPR II project, but significant start-up assistance was still needed and was continued for approximately 30 months under TAPR II. The Commission was to provide a systematic approach to the drafting and revising of commercial laws in Egypt with the goal of making them more investor friendly. The TAPR II project assisted with equipment procurement, organizational development, and the creation of a library.

Existing bankruptcy provisions of Egypt's trade law are outdated and punitive and the NLC Board of Directors assigned bankruptcy reform as its first priority. A bankruptcy action plan was developed, training provided for judges on international bankruptcy norms, an assessment of Egypt's bankruptcy provisions was written, and helped one of the Parliamentary bankruptcy subcommittees revise provisions of the existing law.

The NLC was unsuccessful and ceased to exist shortly after USAID funding ended. The decree creating the NLC did not adequately delineate its responsibilities, particularly in relation to the Ministry of Justice and other ministries in drafting commercial legislation. It had no senior legal advisors or other personnel capable of assisting in legislative drafting, or to participate in meaningful substantive discussions with committee members, to prepare meeting agendas, or to prepare draft legal language. Legislative drafting was conducted by large committees (20-30 persons) of senior officials with other heavy responsibilities.

Another lesson learned was the need for a database of all commercially related laws, regulations and decrees, an activity subsequently undertaken by TAPR II's ERRADA program under Component E.

Other Legislative Reform. The legislative reform program was continued by working directly with the relevant ministries. The project worked with the legal advisor to the Minister of Trade and Industry on amendments to the Intellectual Property Law, Trade Names Law, Commercial Registry Law, and the creation of a legal framework for regulating franchises. Assistance was also provided to the Ministry of Investment on the Investment Law and the Companies Law. The Ministry of Justice recently established a committee to amend the bankruptcy law to elucidate issues and bring stakeholders, including business persons, into the debate on issues that may eventually result in a revised bankruptcy law.

Economic Courts. The Component's greatest success was in helping the newly established economic courts reduce the length of time to resolve commercial disputes. Businesses look to the judicial system to create an orderly environment in which to do business. They need certainty, predictability and enforcement of agreements. Unfortunately, commercial cases in Egypt often languished for years in an overburdened court system. Egypt consistently ranks very poorly in enforcement of contracts (148 out of 183 countries in the World Bank *Doing Business* Report), but this is beginning to change.

In an effort to improve the timeliness, consistency, predictably and affordably of judicial decisions on commercial cases, the People's Assembly enacted Law No. 120 in April 2008 to create economic courts. Even before the law was passed, USAID agreed to the Ministry of Justice's (MOJ) request for specialized training and reference materials for judges who were hearing economic cases and likely to be appointed to the economic courts when created. The TAPR II project teamed with the Administration of Justice Support II (AOJS II) program to provide resources for training 142 judges and 59 counselors. Later in 2008, the project supported training to an additional group of 40 judges and 30 appeals court judges on a range of commercial topics identified by the MOJ.

The courts began operation in October 2008 and were given jurisdiction over 17 criminal laws and 13 civil laws. In 2010, TAPR II provided resources for 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. Reference books were also provided to the judges and the eight economic courts located throughout the country.

In 2010, the project expanded the training programs to include 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.

After only two years of operation, economic courts decide 98% of criminal cases and 95% of civil cases within one year, providing a tangible improvement in the business environment.

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 intellectual property and improve Egypt's compliance with international obligations; join international agreements on intellectual property; automate the intellectual property offices; eliminate backlogs; and decrease the time to register a mark or obtain a patent. TAPR II assistance focused on improving the quality and productivity of intellectual 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 resources helped the Egyptian Patent Office strengthen its operations and undertake new responsibilities under the Patent Cooperation Treaty (PCT), an international agreement that supports international protection of inventions.

A major success arising from the TAPR II assistance was the Egyptian Patent Office's designation as a PCT International Search Authority/International Preliminary Examination Authority on September 25, 2009, one of only 16 intellectual property offices worldwide to hold this responsibility.

Trademarks. The Trademark Office achieved a major milestone with TAPR II assistance when the Madrid Protocol, an international agreement that facilitates the international protection of trademarks, entered into force for Egypt on September 3, 2009. This action will encourage 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. The TAPR II project provided significant training, organizational and legal assistance to the Trademark Office and made recommendations on the implementation and protection for well-known marks, geographical indications and certification marks.

Plant Variety Protection. TAPR II assistance helped clear the way for Egypt to implement plant variety protection and 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 and gain access to desirable plant varieties that were protected abroad. Egypt also supports research and development of new plant varieties through its Agricultural Research Institutes, and the implementation of plant variety protection will enable Egypt to capture some of the economic benefit of valuable new varieties. In addition, draft legislation, when enacted, should enable Egypt to join the Union for the Protection of New Varieties of Plants.

Enforcement. IPR enforcement is a significant issue for Egypt, as widespread infringement has been raised in the context of international trade. With TAPR II assistance enforcement guidelines and procedure manuals were developed and provided to GOE intellectual property offices, which often provide expert opinions on infringement issues. The TAPR II project also supported work with the Ministry of

Justice to provide training on IPR enforcement for judges and prosecutors. Ninety percent of all IPR-related cases are now decided in one year.

4. Competition Policy

The TAPR II project helped the Egyptian Competition Authority (ECA) establish itself in a remarkably short time as a critical entity to ensure a smooth transition from a socialist to a market economy. TAPR II assistance to the ECA began shortly after it was created by Law No. 3/2005 on the Protection of Competition and the Prevention of Monopolistic Practices, which was designed to ensure free competition and a market-based economy. After only four years of operation, the ECA has a stable and increasing budget and a successful track record.

TAPR II provided technical and legal assistance to the ECA, training for its staff and support building its organizational structure. High quality assistance from well qualified competition attorneys and economists experienced in industrial economics and competition helped ECA staff climb the learning curve quickly. Several ECA staff members participated in training outside Egypt, including two ECA economists who performed two month internships in the home office of one of TAPR II's subcontractors. The project also provided training for journalists on competition policy and monopolistic practices.

The ECA has reached decisions on 28 cases, finding anticompetitive practices in 5 cases. Of these five cases, two settled before going to court, two received orders to change their contracts and one reached a decision against the defendants in the Court of First Instance, which was upheld by a final decision of the Court of Cassation. This case gained wide publicity when 20 executives of cement companies were found guilty of forming a cartel and fixing the price and supply of cement and fined 10 million Egyptian pounds each, the maximum amount permitted under the Law.

5. Consumer Protection.

An effective consumer protection agency helps to develop internal trade through the improvement of consumer confidence. Holding manufactures and retailers accountable promotes the development of higher quality goods and services that are more competitive both domestically and internationally. TAPR II began assisting the Consumer Protection Agency (CPA) shortly after it was created with the enactment of a new Consumer Protection Law, Law Number 67/2006.

TAPR II assisted the CPA with the development of regulations for the Consumer Protection Law in 2006 and organizational development assistance such as job descriptions, organizational structure, work plan and staffing suggestions. TAPR II resources were used to assist the CPA to develop a complaint procedures manual and a management guide for working with consumer Non-Governmental Organizations (NGOS). Public Awareness assistance was provided in the form of training for journalists on consumer protection issues.

The CPA is already an effective and sustainable 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. Since

2007, when the CPA first started receiving complaints, it has received 28,748 complaints and has resolved 25,102 of those complaints, or about 87%. 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 honoring warranties .

6. Alternative Dispute Resolution.

TAPR II assisted with the establishment of an Alternative Dispute Resolution (ADR) Center in the General Authority for Investment and Free Zones (GAFI), giving parties to a dispute in Egypt access to formal mediation for the first time. An outgrowth of the failed National Law Center, the subcomponent of Component D started when the then Chairman of GAFI asked USAID for assistance in creating a center to mediate shareholder disputes to avoid litigation or arbitration that could drag on for years. This quickly led to a program of activities that was implemented over the next two years, including the training of 51 potential mediators in Cairo and Alexandria. The project provided each mediator with over 50 hours of basic, advanced and practicum training.

Contemporaneously with the training of future mediators, support under Component D was provide to GAFI to help create the ADR Center, which included organizational assistance, such as developing the mission statement, organizational structure, staffing needs, and job descriptions. The project provided assistance for the Center’s physical infrastructure, preparing budgets and Information Technology (IT) equipment needs and specifications. Assistance was also provided to develop a mediator list, mediator qualifications, and ethical rules for mediators, as well as operating procedures and suggested fees for the Center.

The ADR Center, which was legally created by decree in August, 2009, holds great promise to reduce court loads and free assets for investment. Future prospects for the ADR Center look good. One of the judges TAPR II trained in mediation as a trainer became a preparatory judge in the Cairo Economic Courts, and has a 60% success rate in her mediations . Also, she has been training her preparatory judge colleagues for the Ministry of Justice.

E. Facilitating Services for the Private Sector: Smart Services Business Center, Regional Reform Roll-out, Modernize Commercial Registry, Competitiveness, Regulatory Reform (ERRADA), Industrial and Investment Policy, Special Economic zones, and doing business indicators

Overview

This component includes eight different and varied activities. Only one of the activities, a “one stop shop”, a concept that evolved into the Tamayouz, had been clearly identified at the start of the project. The other seven activities emerged out of requests by

Government of Egypt (GOE) counterparts. Each activity was justified as contributing to the capacity of the private sector to efficiently generate economic growth in Egypt.

As TAPR II concludes, five of the activities address excessive government regulation of the private sector and aim to make doing business easier in Egypt; two stimulate industry development and national investment, and one supports development of a national competitiveness strategy for Egypt's economic development. Since the time of the mid-term evaluation activities "to promote education about the impediments to economic growth and productivity in Egypt" have evolved and some are part of Egypt's national competitiveness strategic development. Three months ago there was a new activity to provide short term TAPR II technical assistance to support the creation of a Cairo University International Branch (CUIB). CUIB will develop programs to support improvements in legal, business and economics education. This activity was placed under the Component E portfolio due to the closure at approximately the same time of Component F, Human Resources.

The sub activities of Component E were skillfully put into a holistic program management framework by the TAPR II Component E Team Leader. That embedded the eight activities as "stepping stones to a better business environment." The management framework goes from the most basic activity of modernizing and consolidating licensing and business permitting (SSBC and Tamayouz and the Commercial Registry) to a systematic approach to regulatory reform (ERRADA), to the development of a national competitiveness vision and strategy (the Egyptian National Competitiveness Council or ENCC) to identifying and attracting targeted investment and industrial development (the Industrial Development Authority economic zones).

Obligated expenditures of Component E's eight activities, as of August 4, 2010, were \$17.3 million or 13.2% of the TAPR II total budget. This is an increase from the original TAPR II budget allocation of \$9.9 million (8 %) of the total TAPR II budget.

Each of the eight Component E activities is included in the final evaluation. The mid-term evaluation was carefully reviewed and provided important insights into the first half of the TAPR II project. The final evaluation continues from that point with findings and recommendations presented below.

- 1. Smart Services Business Center (SSBC):** This activity started in May 2007 and is operating under the authority of the Governorate of Alexandria. The Smart Services Business Center, established with USAID support, is a commercial registry in Alexandria which introduced streamlined procedures that reduce the red tape that businesses encounter when obtaining business licenses. This one-stop shop has reduced the time required for business licensing from 365 to 3 to 4 days. TAPR II has provided a full menu of support to the SSBC since its inception phase in September 2006 that included office

renovation and furnishings, IT software and hardware and system management design, front office and customer service/technical training of SSBC staff. SSBC front office staffs are new college graduates who, because they are paid reasonably well, are willing to provide good service to the public. They work in groups of four and compete for achieving the best performance. The TAPR II project provided two Alexandria based staff members, one a Regulatory Reform Manager/Trainer and one a Procedural Simplification Advisor. They have been in Alexandria since the start of TAPR II project assistance.

Phase I was the provision of store/business licenses by the SSBC under and establishment of a legal and electronic library. In 2009 the SSBC and ERRADA developed a strategic alliance for front end and back end service delivery and regulatory reform, respectively. In 2010 a decree was issued by the Governorate to expand SSBC services to include building and demolition permits and to take building permits out of the purview of rent seeking district-level civil servants.

Measurable benefits from TAPRII project assistance are that applications are processed faster and easier: construction permits are now completed within 6 days and 17 steps, instead of 6 months and 29 steps when handled by the districts; shop licenses are completed in 3 to 4 days and 10 steps, instead of 5 months and 25 steps.

SSBC gets approximately 150 customers per day. However, the evaluator observed the very small public area, which also must accommodate 20 staff persons who work in teams of four to five. It is improbable that 150 customers could be accommodated during the morning-only business hours. (Unfortunately the original SSBC office space was condemned due to roof safety issues but was much more spacious). Intermittent January to March 2010 customer service surveys of 46 SSBC customers show only 26% of the respondents rated the center environment as very good. This was the lowest level of satisfaction among seven categories of seven SSBC performance indicators. In contrast, 78% of SSBC customers ranked staff services as “very good” and 83% ranked SSBC transparency also as “very good” which is the highest ranking of satisfaction.

The SSBC manager wants ongoing financial and technical support from USAID and does not seem to accept the fact that TAPR II project support will be ending.

- 2. Regional regulatory reform roll-out:** the Tamayouz Center (broadly interpreted as a “Center of Excellence”) is a service unit of the Cairo Chamber of Commerce and was inaugurated in early June 2010. There are eight service desks in the Center including Chamber membership services, tax cards and payments, activity licenses, notary services, customs, and property and social insurance. The Tamayouz Center is 100% financially

self-sustaining through fees paid to the Chamber's Customer Service Managers. ("Excellency fees" which are the surcharges paid to the Chamber, were approved by the Ministry of Trade). Unlike the SSBC, TAPR II support to the Tamayouz Center was focused on project management design and implementation, while the Ministry of Communications and Information Technology provided IT and financial support. The Chamber provided the office infrastructure and has contributed about 60% of total costs.

The Tamayouz Center is so well regarded that the Alexandria Chamber of Commerce is replicating the model, and its Board of Directors will visit the Center in the fall. TAPR II Alexandria-based staff is providing TA to the Alexandria Chamber and they recruited 19 new staff members who received 24 days of training.

On average, 300 customers now come through the Cairo Tamayouz Center each day. To put this in perspective, there are approximately 400,000 members of the Cairo Chamber of Commerce. The physical space is more spacious and well designed than the SSBC. Customer satisfaction is said to be good (the manager brought out a file with letters of appreciation), although there is no customer satisfaction feedback form or other assessment mechanism in place. The Tamayouz Center may, in the future, extend its services to include birth certificates, national ID cards and passports. The Tamayouz Center is an excellent example of a "one stop shop" for Chamber and government services and licensing.

The Alexandria Chamber of Commerce is calling its planned new center the Integrated Services Business Center (ISBC). The evaluator offered several advantages to adopting the name of the Alexandria Tamayouz including the extension of an established well regarded 'brand' and the beginning of a Tamayouz national network. The suggestion is under consideration.

In the future, the SSBC may establish a sub office at the Alexandria ISBC/Tamayouz. This offers important promotional benefits to the SSBC and added convenience to the private sector.

- 3. Modernize the commercial registry:** In Egypt there are 80 Commercial Registry offices which have been around since 1934. The Commercial Registry ensures that the name of a registering company is not similar to any existing company and collects information on location, type of activity, etc. The business must still get a license from the municipality where it operates. Modernization of an antiquated Commercial Registry reduces the time and effort required by private sector registrants. An integrated electronic database across Egypt of commercial registrations also provides, for the first time, online data of subsector market activities that can be used by economic and market analysts.

The TAPR II and GOE objectives for the modernization of the commercial registry changed frequently. It was finally decided that TAPR II resources would be used to modernize 20 offices, including staff training in customer care and information technology, and to unify four separate registries. The Commercial Registry (CR), probably because it had been around for many years, had few opportunities for capacity building. After the TAPR II project provided training in 'soft skills', the results were remarkable indicators of positive change among 700 of the 1000 CR officers who participated in training.

A Presidential decree was issued putting the Commercial Registry (CR) under the Internal Trade Development Authority (ITDA) which is now migrating data and testing software. Upgrades of the information technology and the CR data center were piloted in the first half of August 2010 and the entire system should be online by September 30th. By the end of August the pilot activity was estimated to be 80% complete. Merger of the four registries, an amendment made after the original bid was awarded, added time and costs for the IT developer.

According to CR staff, coordination with USAID was quite satisfactory and TAPR II project support was very good. However, the former CR director says, the Commercial Registry IT staff is not fully capable of handling the system after TAPR II closes and the office would like to see a resident IT specialist available from 6 months to two years.

Commercial Registry Program Impacts:

Commercial Registry officials are now well organized and more efficient in terms of dealing with clients and are now able to provide all services in a shorter period of time. Relationships with clients have improved in terms of cooperation rather than confrontation.

The former Manager of the Commercial Registry notes in an August 8th email in response to the evaluator's question on training effectiveness: Managers and their assistants, after having received the training course completely changed their way of thinking regarding the day to day management of the office. Managers became more flexible, cooperative and organized and they are setting priorities at the beginning of the day, and distributing the workload between the employees.

The impact of the IT training courses generated many successful stories. One was especially impressive. The coordinator of one of the IT training courses at Assuit was surprised that two ladies were still there late at night. Those two ladies were practicing at an internet cafe in Assuit. When asked, they said that they previously were afraid to even

pass next to such an internet café, but now they are no longer afraid of computers and decided to enter the café for the first time to practice what they had learned from the course.

Overall, the Commercial Registry was a successful activity. It should also be noted that it included substantial cost sharing with the GOE providing \$6 million and USAID providing only \$2 million.).

4. International competitiveness: The Egyptian National Competitiveness Council (ENCC) was established in February 2004 by a prominent group of business people, government officials and academicians. The ENCC is the first Egyptian NGO dealing with national competitiveness. In the early days the ENCC was a loosely formed group of individuals with mostly a common vision. Today ENCC has a fulltime staff of ten including a Cairo University Dean and Professor of Economics who credits the TAPR project for creating awareness of the ENCC and enabled high level access critical to ENCC's goal to influence policy making.

The TAPR II project has provided approximately \$2 million to the ENCC which has been used for salaries, the ENCC's annual competitiveness reports, and to a lesser extent, ENCC special events, international travel and a limited amount in capital equipment. The ENCC also solicits and raises funds from the private sector. ENCC has no direct links with TAPR II components, other than ERRADA. ENCC shares an office suite with ERRADA and works through ERRADA's Business Advisory Council (BAC) to capture private sector views on Egyptian Government regulations. The ENCC plans to organize seminars in coordination with business institutions participating in the BAC to discuss ways to increase participation in the ERRADA initiative.

Three sub-councils (tourism, human resources and agriculture) were established by ENCC in 2008 provide broader strategic and political influence in these sectors. The annual flagship publication, *The Egyptian Competitiveness Report* is now seven years old and is considered seriously by policymakers, researchers and civil society organizations. The Prime Minister commissioned the ENCC to prepare an Egyptian Competitiveness Strategy which will be delivered to the Prime Minister in the fourth quarter of 2010. Once a strategy is adopted, ENCC plans to broaden its role to monitor implementation and engage in capacity building.

With USAID facilitation, the ENCC is twinning with the US Council on Competitiveness, providing high level access and views of the latest thinking in international circles. The immediate task is to secure sustainable operating funds for the ENCC, probably through an endowment mechanism and USAID funds. The ENCC will

also continue to invite private sector sponsorships. “Without TAPR/USAID we would have limited influence” the evaluator was told in a meeting with the ENCC.

5. National Regulatory Reform: The Egyptian Regulatory Reform and Development Activity (ERRADA) is an Egyptian initiative launched in July 2007 to build a transparent Egyptian regulatory management system of public and private institutions. The TAPR II project provided IT hardware and software, TA and IT training through a resident advisor and funded a study tour to Croatia and Moldavia. Since July 2008 ERRADA has been funded entirely by the GOE. Twelve ministries have agreed to have their regulations reviewed and 60,000 regulations reviewed. After a preliminary review, 32,000 were identified as business related and of those 3,000 have been eliminated. The inclusion of the private sector in regulatory review is through the Business Advisory Committee. The TAPER II Component E Team Leader sees a need to make this mechanism more robust.

The Business Advisory Council (BAC) is a mechanism implemented by the Egyptian National Competitiveness Council (ENCC) for the Egyptian Regulatory Reform and Development Activity (ERRADA). The ENCC had no resources earmarked for this activity and was probably stretched too thin with its primary activities. ERRADA and the ENCC discovered early on that the private sector is not highly interested in broad regulatory reform, but in specific regulations that affect their own businesses directly. This meant that actual discussions with the private sector could only begin with the review stage that commenced in March 2009. Since then ERRADA and the ENCC have organized forums, including the private sector, to discuss GOE recommendations resulting from the regulatory review of topics laid out by the ENCC working groups in Competitiveness Reports.

A new plan, to be implemented at the end of September 2010, is the development of a two track system. One is a regulator driven track for determining which topics to use for a public-private dialog. Selected topics for further consultation would then be submitted to business associations through the BAC for private sector input either by a survey or meeting(s). A second track has regulatory priorities identified by the private sector. In both tracks, consultation will be done in two phases. In the first phase, challenges facing businesses will be explored while in the second phase businesses will be consulted on recommendations and draft regulation. Consultation on these issues would take the form of surveys and/or sessions, depending on the nature of the topic. The ENCC hopes to secure additional funding for a staff person dedicated to this activity.

ERRADA has a strategic alliance with the SSBC which acts as ERRADA’s “front office” and a unit of ERRADA is working out of the SSBC in Alexandria as the “back office”. The depository phase of the process puts regulations onto SSBC’s electronic data base creating transparency. SSBC provides support to businesses that are not using

the internet. Regulatory impact assessment is the forward looking component of the ERRADA process where a financial model quantifies costs and benefits prior to adoption. There are also turf disputes. The Industrial Development Authority (IDA) believes that it, not ERRADA, should be leading the private sector regulatory review process. The Alexandria Governorate is also pushing its own regulatory reform, which will be separate from the SSBC.

ERRADA is almost completely a GOE funded entity, and is not dependent on donor funding for its continued existence. The TAPR II project was responsible for promoting the original idea of a rapid regulatory reform effort and provided TA and procurement. The GOE bought into the idea rather quickly and established ERRADA within the GOE. The ERRADA Board of Directors is now considering institutional alternatives and their future implications. This is a critical step and will determine the institutional alignment and financial sustainability of ERRADA.

6 & 7. Special economic zones and industrial & investment policy: The TAPR II project supported the Industrial Development Authority (IDA) in the areas of industrial and investment policy and special economic zones. IDA was established in 2005 under a Presidential decree within the Ministry for Trade and Industry and has 15 major activities listed on its website. Activity three sets policies and plans for developing industrial zones, in coordination with the governorates, and activity two directs the IDA to conduct development and sector studies. IDA also provides the appropriate activity licenses, guides investors, acts as the regulator for regional industrial zones, land deeds and other legal requirements, and targets private investment and manufacturing within 119 industrial zones.

The TAPR II project provided support in three major areas within IDA: 1. corporate planning; 2. private-public partnerships; 3. strategic marketing; and 4. management by objectives across IDA. According to IDA staff, everything originated and built upon the corporate plan. IDA was very receptive to the assistance provided under TAPR II for advanced capacity building in strategic management and marketing. A long term TAPR II international marketing specialist was assigned to work with IDA to develop a three year corporate strategy and to create a strategically thinking marketing department. This approach represented a major change from an industrial development authority used to controlling industry to one that markets and offers a private public partnership. The long term TAPR II specialist suggested that, USAID needs to give more time for change to be embedded within an organization, not (just) four months”.

The TAPR II project provided support for the methodological framework for industrial zone development. Specific tasks were agreed upon at the outset. A TAPR II resident consultant provided technical assistance from 2006 to 2008 on industrial zone

development and private-public partnerships. The client found rated the technical support as very good, as well as helping to keep the change process moving forward. This activity generated six contracts with international developers from Turkey, Dubai and China who are investors in an industrial area. The IDA is targeting 740 factories over two phases that could employ between 40,000 and 50,000 workers. Donor funding for industrial zone development and private-public partnerships wound down in 2009 after the activity demonstrated it could continue on its own.

The General Authority for Foreign Investment and Free Zones (GAFI) under the Ministry of Investment promotes itself as the principal governmental authority concerned with regulating and facilitating investment, as does the IDA, which is confusing to potential investors and is counter-productive. Institutional alignment is needed, although none seems to be forthcoming without a push from USAID or some another influential third party.

The TAPR II project, through the Component E Team Leader, has been a driving force behind the concept of development of the potentially far reaching Suez Investment Corridor (SIC) initiative. The former Component E Team Leader is returning to Egypt to help on the Suez initiative. Also, the SIC (Standard Industrial Classifications) initiative has the support of a Parliamentarian and Honorary Chair of the ENCC, who says that the Suez Investment Corridor will be a key part of the national competitive strategy presented to the President in October 2010.

8. **Doing Business Indicators:** Taken together, the elements of Component E represent an important effort to reduce the burden on the private sector of Government over-regulation. Results of this effort are evident in the improvements of Egypt's standing in the World Bank's *Doing Business Reports* from 2007 through 2010.

Doing Business focuses on 10 topics, to measure the regulation and red tape companies' face. The report ranks country performance. In the overall ease of doing business, Egypt ranked 106 among 183 countries. It moved up ten places (116 to 106) from 2009 to 2010. In 2010 Egypt ranked #9 among countries that are improving their international performance ranking. Egypt's greatest improvements in 2010 were in the measures of starting a business (Tamayouz and the Commercial Registry are likely to have contributed); construction permits (SSBC/ERRADA) and enforcing contracts (the newly created economic courts). ERRADA has greatly contributed to cross cutting regulatory reform and reducing the bureaucratic burden on the private sector.

9. **Cairo University International Branch.** This is a new activity that is starting as TAPR II nears completion. It is described here since it is funded by the TAPR II project. Three

months ago Cairo University (CU) approached USAID for program management assistance in the design of a commercially viable Cairo University International Branch (CUIB) to be located on a square mile property provided by the Ministry of Investment. CUIB hopes to be up and operating in five years—an ambitious goal.

A development activity works best when they are coordinated with other donors and related development activities. Under Component E , the best example of TAPR II coordination is the public private partnership between Government of Egypt regulators, USAID and the Chamber of Commerce in Cairo (and now the Chamber of Commerce in Alexandria) leading to service integration, cooperation and service based financial sustainability.

F: Human Resources: Legal, business and economic education

Overview:

Over the life of TAPR II this component included three activities—legal, business and economics education. The goal was to create an expanded pool of expertise for management and regulation of market mechanisms to support sustainability of private sector institutions. For a variety of reasons the fit was not that good with TAPR II objectives. Component F was officially closed on May 2010, but there is still a need for high quality business, economic and legal higher education within Egypt.

G: Program Support: Monitoring of policy reform, housing demand and economic studies, preparation and dissemination of information and publications, tracking financial sector reform (DSP II)

Overview:

This component includes a monitoring and evaluation function, which was very successful, and a useful newsletter that reports on TAPR II activities. It also included three key economic studies. One of the three studies may be useful for USAID and the GOE while the other two did not generate sustained GOE interest in policy change.

The TAPR II monitoring and evaluation function has two parts: 1) Designing and implementing a Monitoring and Evaluation (M&E) plan for the TARP II project and, 2) providing monitoring and evaluation support to the USAID/Egypt's Economic Growth Office of Policy and Private Sector (PPS).

A project monitoring and evaluation plan normally creates a time series of indicators to measure change attributable to project interventions, compare progress to targets, and to help assess the cost-effectiveness of project interventions. The TAPR II project's

demand-driven, flexible approach, with frequent activity changes, made it difficult to establish criteria. Also, activities and subcomponents are not tracked on an individual cost basis, so it is impossible to assess the cost-effectiveness of components or activities.

The TAPR II project monitoring got off to a slow start and suffered from a number of problems. Initially there were difficulties designing the monitoring system, data collection and indicators, and the person responsible for developing a Monitoring and Evaluation (M&E) plan was replaced after six months. A highly qualified replacement was found and an M&E plan was created with indicators for all tasks under each of the project's components, as well as an M&E plan for new studies and ad hoc requests. The most recent M&E plan was completed in February 2010. It is thorough, meets USAID/Washington's standards and the needs of the TAPR II project managers and the requirements of the USAID/Egypt evaluation office. The USAID evaluation officer said that the TAPR II monitoring unit was doing an excellent job.

The TAPR II contractor's M&E specialist helped develop a system to track financial sector reform (DSP II) against benchmarks. Similar work was done on the Central Bank of Egypt (CBE) foreign dealings management and state owned banks. It was a major achievement to get benchmarks in place and then to monitor GOE performance. In part, having these benchmarks and monitoring systems helped USAID justify the first cash transfer to the GOE. The TAPR II project also provided monitoring and evaluation support for the USAID Policy and Private Sector Office (PPS).

In 2006 the TAPR II project was used to support an evaluation of USAID's Agricultural Exports and Rural Incomes Project. The evaluation found that the project had successfully improved incomes among upper Egyptian farm households, but revealed serious problems with grants management, business development services and sustainability. The team's recommendations reportedly came in time to correct the main problems.

The Data Quality Assessment Checklist was prepared and completed by USAID with extensive assistance from TAPR II. The TAPR II M&E officer provided support to USAID in late 2007 by helping to collect data for the indicators for SO 16 for the FY 07 Operational Plan.

The EGLink newsletter is one of the best ways TAPR II results are communicated to constituents. It is well written and tells the story of what the contract is accomplishing in laymen's terms. It is published in hard copy and is available on the web site, in English and Arabic and widely distributed among intellectual and political leaders in Egypt.

TAPR II completed economic studies in the areas of housing reform, privatization, and BTB (behind the border) issues. They had mixed results. The housing and privatization studies were requested by the GOE and were followed by workshops, ministerial presentations and discussions of the findings and results. The BTB study was

requested by USAID and presents a comprehensive assessment of actions needed in addition to macroeconomic policy, and operational reforms to create a competitive economic environment in Egypt. The Behind the Border study should provide a good base for USAID's planned competitiveness activity.

The mid-term TAPR II evaluation reported on discussions with GOE officials concerned with the housing and privatization studies. At that time it seemed that the GOE considered the studies extremely well done, targeted exactly on the problems they were concerned with, done in a very timely manner, and they would be immediately used by the Ministers involved to determine the courses of action they wanted to follow.

In early 2006 the Minister of Investment (MOI) requested a two phased housing demand study. Portions of the work were done in coordination with World Bank teams as well as the USAID Egypt Financial Services (EFS) project working on real estate financing issues. The results of the studies were presented in several ministerial workshops and high level technical meetings. The work culminated in a joint TAPR II and World Bank presentation to the Ministers of Housing and Investment which resulted in the ministers endorsing and adopting the proposed framework for reform.

It seemed that the housing studies would be put to use. They were requested by senior GOE officials and the studies were followed by workshops with ministerial presentations and discussions. Participation of the World Bank provided additional support. However, by 2010 it appears that GOE interest is greatly diminished and little is being done. It may be due to a change in top GOE staff or other factors. The evaluation team was unable to determine why. One observer speculated that the problem was housing for lower income families and the need for large subsidies to make it work. With no source of money for subsidies, the GOE lost interest in housing.

In late 2006 the Ministry of Investment requested a study of the impact of privatization on a set of companies that were privatized during 1995 to 2005. The objective was to establish a factual basis for a public education program on privatization in Egypt in order to increase public support for further progress in this area. In 2007 the ministry requested a study of several hundred retail outlets that were part of four large chains. The ministry wanted an independent, credible analytical process for determining the commercial viability of the chains and how the outlets could be packaged for privatization. Both studies were to be used by the government in determining and supporting its course of action.

The GOE officials involved were impressed by the attention that USAID and TAPR II project managers focused on the selection of exactly the right consultants, the preparation of good scopes of work, and the excellent quality and relevance of work that was produced. However, GOE enthusiasm from that period did not last.

Recent GOE implementation has been minimal. While privatization is still a GOE priority, actual results are limited. It has been reported that the GOE has suspended privatization efforts. The housing studies generated interest, but there has been little GOE interest in new policies or reforms.

V. Overall Strategic Relevance of TAPR II

A. Consistency with US Objectives and the TAPR II Contract

To accelerate economic growth, the U.S. is interested in supporting Egyptian policy reformers who want to move Egypt away from state control and toward a more efficient market economy that encourages private sector growth. The key strategic economic growth issues are those that remove constraints on the private sector's potential for growth and productive employment creation. Those tend to be short term issues. In the longer term there is a need for broader institutional development. Effective economic assistance is only possible in those areas where Egypt is prepared to move forward and welcomes USAID support.

The TAPR II project activities that help to remove constraints on the private sector are those that support services for the private sector, create an enabling environment for private business activity, and reform the trade environment. Also of importance are reforms in tax policy that impact on the business community. The many TAPR II activities in these areas are of immediate strategic importance.

As the budget table in Section II. E of this report shows, Components A (the trade environment), B (Financial Sector Modernization), C (Macroeconomic Stability), and F (Facilitating Services for the Private Sector) received 71 percent of the TAPR II budget. The project was clearly focused on support and services for private sector growth.

B. Counterpart Control of the Agenda and Ownership.

The TAPR II approach was determined in part by where economic growth reforms were possible and then letting the GOE suggest activities to be supported. The counterparts should understand the problems and which problems can be solved. USAID wanted to support those who were interested in reform and had specific proposals. But more was needed. USAID had three criteria to screen all requests. USAID was looking for **commitment**, which meant someone who could be a reform champion and was in a key government position to push the reforms through. The second was **ownership**. The GOE had to be willing to implement new policies as part of their own program and budget. The third and final question was **resources**. The counterpart needed to have access to staff and resources that USAID and TAPR II project managers could support and work with.

In the opinion of the evaluation team, the role of GOE clients in determining TAPR II activities is clear. In the majority of cases there is clear sense of ownership on the part of the GOE clients. However, there are questions regarding the ownership of activities in a few cases. In some instances the GOE, e.g., the CMA and the earlier mentioned policy work in the CBE, decided they did not want the assistance being offered, either initially or after the GOE counterpart changed. In those cases that portion of the assistance was dropped and TAPR II resources reallocated, which is one of the benefits of an umbrella approach.

C. Coordination With Other donors, NGOs, the private sector and Other USAID Programs

The TAPR II Project coordinated its efforts with GOE agencies, other donors, USAID programs and private groups to improve the policy environment. Here are several of those efforts:

Component B, Financial Sector Modernization: TAPR II project activities were coordinated closely with other donors through regular meetings of donors working to improve the financial system. These meetings were hosted by the World Bank, which was a large lender for financial reform, and involved the African Development Bank, the European Union, and NGOs. TAPR II's support for upgrading EISA and the set up of EFSA were important underpinnings of the World Bank's large loans. TAPR II support for improvements for the EBI led to its winning a contract to train Iraqi bankers, which was carried out through the Egypt office of the World Bank.

Component C, Macroeconomic Stability: Coordination was extensive between TAPR II implementers and the IMF regarding tax reform. It reflected the mutual interest of the IMF in the fiscal impact of the reforms on tax policy and administration of tax revenues. Coordination also took place with the Netherlands and Spanish government aid programs and the OECD on training of tax administrators. Some coordination also took place with the IMF on the Treasury Single Account and with the European Union and the World Bank on general issues of public financial management.

Component D: Enabling Business Policy Environment: TAPR II supported the continuation of the Alexandria Customs Trade Facilitation Advisory group which included the GOE, shipping companies and freight forwarders as effective advocates for reform. Customs reforms such as pre-arrival release required a new legal framework and TAPR II provides the resources to help the GOE draft a new customs law to meet international standards. The project assisted in a series of stakeholder consultations and rewrites of the antiquated 47-year-old customs import law.

The lack of plant variety protection in Egypt had been a negative factor in Egypt's efforts to promote its agricultural exports and to gain access to desirable plant varieties that are

protected abroad. This is due to a lack of Intellectual Property Rights enforcement in Egypt. TAPR II assistance helped clear the way for Egypt to implement plant variety protection and begin to issue plant variety certificates. This has a direct linkage to USAID Egypt agriculture programs.

Component E, Facilitating Services for the Private Sector: A good example of coordination is the public private partnership between the Government of Egypt regulators, USAID and the Chamber of Commerce in Cairo (and now the Chamber of Commerce in Alexandria) supporting service integration, cooperation and service based financial sustainability.

VI. Management and Organization

A. Umbrella Project Issues

Over the years USAID Washington has been concerned about how much flexibility USAID Missions should have and their ability to internally shift project funds to different activities and to add or drop project activities. Some thought that USAID Washington should know the specifics of what a Mission wanted to do. At one point, before Washington would approve a project, a USAID Mission had to specify the activities and result-targets for the five year life of project. Changes required Washington approval. That made sense if you were building a road or a number of health clinics. It made much less sense for projects with an emphasis on institutional strengthening and policy reform. More flexibility at the Mission level was needed for those activities and USAID Washington provided greater delegations of authority to Missions.

Before TAPR II, there were 18 contracts, 12 COTRs and several contract officers. In addition, each contract had to be negotiated with the GOE. That kept a lot of people busy, but probably didn't improve performance. Now there is one USAID manager in charge of the TAPR II project and each component has a USAID Activity Leader. USAID staff requirements have been greatly reduced.

The umbrella contract approach allows the project to be demand driven. Host country buy-in and commitment is essential. If the GOE becomes interested in a new policy change, the TAPR II project can provide support for studies, technical assistance and other support. On the other hand, if an activity has problems, funds can be shifted to a more promising policy area. One of the criticisms of an umbrella approach is that it can be a grab bag of money for the Host Government. It appears that USAID does a careful job of screening proposals to make sure that GOE requests have a good chance of influencing policy reform.

The seven components of TAPR II project cover an extremely wide policy area. Over the life of the project there were some 600 technical assistance contracts in addition to in-country long term experts for the seven components. That is a lot manpower applied to a wide range of policy issues. It may make sense in the future to concentrate on a smaller number of key policy areas. USAID has policy reform experience with TAPR II and it knows the most promising areas for success. There could be more coherent, self-standing contracts in the future. In addition, there may be a need for a small, flexible funding vehicle to explore targets of opportunity where USAID assistance can move GOE thinking and interests forward. USAID has recently identified two policy areas that it wants to concentrate on and these may become new stand-alone projects. If that is the case, TAPR II has served its purpose and there will be no need for an umbrella project.

B. Other Management Issues

The success of a TAPR II project reform activity depends on the complexity of the proposed change, a combination of a counterpart at the right level who takes ownership and pushes the reforms or reorganization, and a good team from TAPR II. While high level commitment is necessary, it is not sufficient. Lower level counterparts must take ownership of the tasks and be committed, particularly in reorganizations and especially when the tasks are complex.

In the great majority of the TAPR II activities, there is a strong sense of Egyptian ownership. In a few instances, the Capital Market Authority and the originally proposed policy work with the Central Bank of Egypt, the GOE decided it did not want the assistance. It could do what it thought was needed on its own. GOE support for the housing and privatization studies started with high expectations, backed by strong interest from senior government officials. But for a variety of reasons, things did not go forward. In some cases the minister who was the champion moved to a different job. In other cases the minister had enthusiasm, but at lower staff levels support was lacking.

Although there has been high praise for most consultants there have also been a few complaints about both long term and short term consultants with unimpressive skills who failed to make meaningful contributions. Contract management should ensure that staff incentives are clearly aligned with obtaining highly qualified resident and short term consultants. They are essential to accomplish activity objectives.

The ability to hire and retain Egyptian staff was affected by USAID salary limits. This is a particular problem for the financial sector covered by Components B (Financial Sector Modernization) and C (Macroeconomic Stability). In the U.S., financial consultants earn high salaries. Egypt is at a different scale, but financial sector salaries are rising rapidly. Egyptian financial experts can get financial jobs in the rapidly expanding Egyptian private sector. There are also opportunities abroad where even higher salaries can be

earned in the Gulf, or nearby Arab states. As pointed out in the analysis of Components B and C, the evaluation saw no need to exceed the USAID consultant fee maximum limit. The GOE can get needed assistance from the World Bank Group and the IMF, often at no cost. In addition, the GOE has paid international scale wages when it identified an important need for technical advice.

The 2008 mid-term evaluation raised a related sustainability issue. Some reform champions and TAPR II counterparts were paid more than government salaries by a USAID grant. Without that grant it was feared that the Minister of Finance might not continue paying those salaries. Reform could slow down and the sustainability of TAPR II supported reorganizations might be hurt. Since the end of FY 2009 USAID no longer provides that grant.

TAPR II had a management reporting system that listed “deliverables.” It was a method of keeping track of the work being done in each component. The evaluation examined the deliverables, but found they were not a good measure of program activity or success. They provided only part of the information management needed.

Deliverables meant different things to different people since there was no clear definition of a deliverable. A deliverable could be a short term technical advisor in-country, a study or a report. At the extreme, a deliverable could be a new law approved by the GOE or just one training session. Those are quite different tasks. The problem is that a deliverable could be an intermediate step or the key factor in completing a major reform. For example, pension reform had less than 15 deliverables while other reforms might have many more deliverables. The number of deliverables or actual completion of a deliverable, by itself, was not an exact measure of progress or success. It appears that deliverables were used as a way to track expected outputs for annual work plans, but not to assess program performance.

Annex 1 lists the deliverables by component from the start of TAPR II through June 2010. A total of 2,380 deliverables were planned, 1,017 completed and the rest are in-progress, cancelled or postponed. On the positive side, deliverables can be viewed as a good example of the demand driven flexibility of TAPR II. It could start new activities, stop them when serious problems developed and shift funds and efforts to new activities. However, managers needed more than a deliverable report if they were to stay on top of the economic reform process. Future programs must have clearly defined rules for “deliverables” or other progress measures.

VII. Findings and Recommendations for Each TAPR II Component

Under 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 problems, find solutions and influence the political process. **By the end of TAPR II The National Customs Information System (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 Government of Egypt (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 National Customs Information System (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 Government of Egypt 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.

Under 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 sub-components has been an effective way to prune underperforming activities while moving support to those with better prospects.

Three major lessons emerge from 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 sub-components 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.**

Under Component E, Facilitating Services for the Private Sector, the evaluation found that the Government of Egypt, 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 suggests 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 public private partnership between the Government of Egypt regulators and the Chamber

of Commerce in Cairo is an excellent example of service integration, cooperation and service based financial sustainability.

Component F is closed.

Component G demonstrated the importance of a monitoring and evaluation 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 sub-components 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.

ANNEX 1

TAPR II Component Deliverables Status Chart by Project Year

Project Year 1

Component	Planned	Completed	In-Progress	On Hold	Not Started	Canceled
Component A	62	17	11	9	2	5
Component B	64	22	14	6	2	20
Component C	94	41	12	18	0	23
Component D	3	1	1	1	0	0
Component E	12	9	2	1	0	0
Component F	8	2	5	0	0	1
Component G	22	19	1	0	0	2
All Components	265	111	46	35	4	51

Project Year 2

Component	Planned	Completed	In-Progress	On Hold	Not Started	Canceled
Component A	74	6	36	9	22	1
Component B	97	50	19	12	3	13
Component C	110	49	26	4	27	4
Component D	28	7	17	4	0	0
Component E	57	25	24	0	8	0
Component F	19	7	7	5	0	0
Component G	5	3	1	0	0	1
All Components	390	147	128	34	60	19

Project Year 3

Component	Planned	Completed	In-Progress	Delayed	Canceled
Component A	212	82	36	8	86
Component B	198	89	19	7	83
Component C	171	28	11	24	108
Component D	215	103	52	30	30
Component E	193	90	30	37	36
Component F	29	5	12	3	9
Component G	58	24	18	0	16
All Components	1,076	421	178	109	368

Project Year 4

Component	Planned	Completed	In-Progress	Delayed	Canceled
Component A	57	14	20	16	7
Component B	39	22	5	7	5
Component C	12	5	7	0	0
Component D	59	39	6	6	8
Component E	86	41	39	2	4
Component F	10	9	1	0	0
Component G	27	14	10	0	3
All Components	290	144	88	31	27

Project Year 5 – Semi-Annual

Component	Planned	Completed	In-Progress	Delayed	Canceled
Component A	57	14	20	16	7
Component B	57	30	16	0	11
Component C	10	6	4	0	0
Component D	76	50	6	12	8
Component E	122	71	44	4	3
Component F	10	9	1	0	0
Component G	27	14	10	0	3
All Components	359	194	101	32	32

Totals **2,380** **1,017** **54** **172** **497**

ANNEX 2

Ministries and Organizations Contacted by the Evaluation Team By TAPER II Component

Cross-Cutting Interviews

Individual	Title	Organization
Christina Anderson	TAPR II Washington Manager	Deloitte Washington
Ali Kamel	Sr. Economic Advisor PPS	USAID Cairo
Stephen Morin	Supervisory Prog. Economist	USAID Cairo
Amani Imam Selim	Evaluation Officer	USAID Cairo
Kevin Haupt	Acting Chief of Party	TAPR II Cairo
Terry Murdoch	Chief of Party	TAPR II Cairo
Alf Monaghan	E Private Sector	TAPR II Cairo
Fatos Qendro	IT Advisor	TAPR II Cairo
Arwa Morsy	Evaluation Officer, Economist	TAPR II Cairo

Component A, Trade Environment

Individual	Title	Organization
Rasha Abdel Hakim		
Mahmoud Aboulela	Head, Human Resource Central Directorate (formerly Deputy Head of the Customs Reform Unit)	Egyptian Customs Agency
Ahmed Ferag Seoudi	Commissioner	Egyptian Customs Agency
Atef El Feky	Minister's IT Advisor	Ministry of Finance
Essam Ali	Head, Customs Reform Unit	Egyptian Customs Agency
Waleed Badr	Chairman	EastMed Shipping & Maritime Services
Alan Morley	Trade and Customs Advisor	TAPR II Cairo
Magdy El Bandaraway	Alexandria Branch Manager	Egytrans
Marwan M. El-Sammak	Chairman	Ship & Crew
Hesham Ragab	Advisor to the Minister for Legal and Legislative Affairs	Ministry of Trade and Industry
Hussein Mansour	Director, Food Safety Agency Management Unit	Ministry of Trade and Industry
Hany Barakat	Chairman	Egyptian Organization for Standardization and Quality

Component B, Financial Modernization

Individual	Title	Organization
Ahmed Faragallah	Head, Payments System Dept.	Central Bank of Egypt
James Hambric	B Leader	TAPR II Cairo
Ingi Lotfi	Activity B Manager, Senior Economist PPS	USAID Cairo
Adel Rabeh	Deputy Chairman	E. Fin. Supervisory Authority
Hanan Sabri	Advisor HR Development	E. Fin. Supervisory Authority
Khaled Bassiouny	Director Business Development	Egyptian Banking Institute
Zeinab Razek	Senior Mgr., Donor Cooperation	Egyptian Banking Institute

Component C, Macroeconomic Stability

Individual	Title	Organization
Amina Ghanem	Deputy Minister	Ministry of Finance
Gamil Ezzat	Minister Advisor for IT and Tax Integration	Ministry of Finance
Ali Kamel	Activity C Manager, Sr. Economic Advisor, PPS	USAID Cairo
Terry Murdoch	C Leader, Chief of Party	TAPR II Cairo
Fatos Qendro	IT Advisor Component C	TAPR II Cairo

Component D, Enabling Policy Environment

Individual	Title	Organization
Manal El Samadony	Senior Economist	USAID/Egypt
Jaleen Moroney	Trade & Investment Specialist	TAPR II Cairo
Bahgat Adham	Manager Consumer Complaint Department (NGOs)	Consumer Protection Agency
Mona Yassine	Chairperson	Competition Authority
Amr Hegazy	Head, Trademark and Industrial Designs	Internal Trade Development Authority
Esmat Abdel Latif	President of Patent Office	Ministry of Higher Education
Hassan Bassiouni	Assistant Minister and Director of National Center for Judicial Studies	Ministry of Justice

Component E & F Interviews

Individual	Title	Organization
------------	-------	--------------

Hanem El-Shennawy	Assistant Secretary General	Alexandria Chamber of Commerce
Dina Kafafy	Deputy Executive Director Business Development	Egyptian National Competitiveness Council
Heba Zayed	Deputy Executive Director Research	Egyptian National Competitiveness Council
Hossam Badrawi	Honorary Chairman	Egyptian National Competitiveness Council
Mona El Baradei	Executive Director	Egyptian National Competitiveness Council
Sherif Fawzi Abdel Gawad	Acting Executive Director	Egyptian Regulatory Reform & Development Activity
Ahmed El Farargy	Chairman for Industrial Zones	Industrial Development Authority
Hesham Al-Harouni	Head Industrial Service Sector	Industrial Development Authority
Steven Lee	Head of Marketing	Industrial Development Authority
Amr Hegazy	Former Manager of Commercial Registry/now Director of Trademark	Internal Trade Development Authority
Khaled Said	Chairman Assistant, Investment and Finance	Internal Trade Development Authority
Mohamed Kamal	General Manager, Commercial Registry	Internal Trade Development Authority
Kevin Murphy	CEO/President	JE Austin Associates, Inc.
Madiyah Abdul Hakim	Manager	Smart Service Business Center Alexandria
Hatem Al-Zorkani	President/CEO	Software development for Tamayouz
Madame Safaa's	Manager	Tamayouz Cairo
Hassan El Gogary	Manager, Regulatory Reform	TAPR II Alexandria
Magdy Mikhael Girgis	Procedural Simplification Advisor	TAPR II Alexandria
Alf Monaghan	Private Sector Team Leader (E)	TAPR II Cairo
Kevin Haupt	Deputy Chief of Party	TAPR II Cairo
Paul Smith	Higher Education Consultant	TAPR II Cairo
Terry Murdoch	Chief of Party	TAPR II Cairo
Ali Kamel	Senior Economic Advisor	USAID Cairo
Manal El Samadony	Senior Economist	USAID Cairo
Rasha Abdel-Hakim	Senior Economist & Team Leader	USAID Cairo

ANNEX 3

TAPR II COMPONENTS AND SUBCOMPONENTS

Component A. Trade Environment

Customs Reform Trade Facilitation, Trade Policy

Component B. Financial Services

Capital Markets, Egyptian Banking Institute, Central Bank Support, Insurance Reform, Pension Reform, Public Private Health Insurance

Component C. Macroeconomic Stability

Tax Policy and Administration, Debt Management, Treasury and Budget, Public Private Partnerships, Public Enterprise Monitoring

Component D. Enabling Policy Environment for Business

Commercial Law Reform, Intellectual Property Rights, Consumer Protection, Competition Policy, Alternative Dispute Resolution

Component E. Facilitating Services for the Private Sector

Develop Smart Services Business Center, Regulatory Reform, Commercial Registry Modernization, Competitiveness, Reform of Industrial Parks & Zones, Privatization Studies

Component F. Human Resources

Legal Education, Business and Economics Education

Component G. Program support

Monitoring Economic Policy, Housing Policy Studies, Preparation and Dissemination of Information, Tracking DSP II

ANNEX 4

TAPR II EVALUATION TEAM COMPOSITION AND THE FINAL EVALUATION SCOPE OF WORK

Evaluation Team Members:

Joseph Lieberson, Economist and Team Leader, Finance, Evaluation and Aid Modalities

Donnie Harrington, Economist, Trade Investment Environment and Policy Reform

James Hanson, Economist, Central Bank Programs, Financial Modernization and Tax and Finance Policies

Emily Miller, Economist, Trade, Market Development and services to support the Private Sector

FINAL EVALUATION SCOPE OF WORK

A. General Information

Evaluation Objective: The purpose of the evaluation is to assess the impact of the TAPR II activities and interventions after five years of implementation, document lessons learned and recommend next steps in economic reform noting areas of success and failure. This evaluation is to recommend approaches for USAID future activities, if any, that would strengthen the support provided by USAID to the Government of Egypt's (GOE) economic reform program; improve the focus and timeliness of technical assistance being provided; and sharpen the internal management (by both the United States Agency for International Development/Policy and Private Sector Office (USAID/PPS) and the contractor). The evaluation is to document significant project successes or failures to date, identify possible opportunities for additional support to the GOE's economic reform program, and assess the suitability to date of this type of "umbrella" technical assistance.

TAPR II Objective: The overall objective of TAPR II is to provide a comprehensive and flexible source of technical assistance to Egyptian reformers to help them define and implement their visions. At the time the statement of work for TAPR II was developed, 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. As a result, it was decided that the effective management of the USAID assistance program required that activities be grouped into

fewer implementation mechanisms whenever feasible. It was also concluded that in the area of economic reform it was desirable that funding be flexible enough to be shifted among activities as sub-objectives were more clearly conceptualized and funding requirements were concretely identified. The result of these development objectives and management constraints was the design of the umbrella TAPR II contract with seven major components and about thirty sub-components.

A mid-term **TAPR II Evaluation concluded that the TAPR II contract is very successful in providing key support to GOE reform initiatives.** While the work began somewhat slowly, this was primarily due to the illustrative nature of many of the initial tasks and the need to develop the specifics of work desired by the GOE clients.

The Technical Assistance for Policy Reform II (TAPR II) project started in October 2005 and is expected to be completed by the end of October 2010. A mid-term evaluation of the project was carried out in early 2008. A final evaluation shall be conducted in July-August 2010, when the technical staff is still engaged. Since the mid-term evaluation is about two years old, the overall objective of this final evaluation would not be as detailed. It will focus on the overall contractor's performance, effectiveness, and impact of the TAPR II activities, with special emphasis on seven TAPR II components:

- 1) Trade Environment: Customs reform, trade facilitation, and trade policy;
- 2) Financial Sector Modernization: Egyptian Financial Supervisory Authority, Egyptian Banking Institute, and Pension Reform
- 3) Macroeconomic Stability: Tax Policy and Administration, Public Private Partnership, and enhancing capacity within Ministry of Finance
- 4) Enabling Policy Environment: Commercial Law Reform, Intellectual Property Rights, Consumer Protection, Competition, and Alternative Dispute Resolution
- 5) Facilitating Services for the Private Sector: Smart Services Business Center, Regional Reform Roll-out, Modernize Commercial Registry, Competitiveness, Regulatory Reform (ERRADA), Industrial and Investment Policy, Special Economic zones, and doing business indicators
- 6) Human Resources: Legal, Business and Economic Education
- 7) Program Support: Monitoring of Policy reform, Housing Demand and economic studies, preparation and dissemination of information and publications, tracking financial sector reform (DSP II)

Expected Timing: July - August 2010

B. Team Composition

The team will include: Team Leader, Institutional Specialist, and Business Policy Specialist or other specialties that would fulfill the requirement of the below mentioned tasks.

C. Scope of Work

The evaluation team should address the following questions:

1. Strategic Focus: Assess strengths and weaknesses of TAPR II teams and tasks including successes and failures under each of the seven Components. What were causes and critical factors for weaknesses and successes? Was the underlying premise of TAPR II valid? This will address what process is followed by TAPR II to ensure that its activities:

- address key, strategically important, economic growth issues in Egypt
- are consistent with the purpose, objectives, scope and terms of the contract, and are consistent with the USAID mission Assistance objective (AO) 16.
- To date, how strategically focused have TAPR II's activities been

2. What were the major accomplishments in each of the TAPR II Components? Did TAPR II achieve the planned results under each component?

3. Assess effectiveness of the IT activities for Customs, Commercial Registry, Tax Administration, Smart Service Business Center, and other major IT activities.

4. Document and describe lessons learned during the implementation of TAPR II, and possible areas for follow on activities, if any, should be identified.

5. Management and Organization: How effective have the TAPR II organizational and management structures been in supporting implementation to achieve the activity purpose and produce outputs/outcomes?

6. How has the technical assistance provided by the contractor contributed to the efficiency of the participating counterparts such as Ministry of Finance, Ministry of Trade and Industry, and Ministry of Investment? In this regard, the evaluation team shall:

- assess the adequacy of the balance between the use of expatriate and local expertise;
- assess the soundness and utility of: analytic studies carried out by TAPR II; TAPR II's Performance Monitoring work; and TAPR II's cash transfer monitoring and verification work
- assess the strategic fit of TAPR II training and procurement activities; to what extent do training and procurement contribute to TA objectives
- assess the extent to which TAPR II activities have addressed sustainability issues and built sustainable capacity within the GOE .

7. Have TAPR II activities been adequately coordinated with other activities implemented by PPS, other USAID offices, or by other donors? And what are the lessons learned?

D. Deliverables

End of Week 1: Work plan and outline of final report

End of Week 3: Annotated outline of final report plus briefing for USAID

End of In-country Work: draft report—complete with executive summary, tables, key findings, recommendations, conclusions, supporting documentation etc.—plus USAID exit briefing

Final Report (including the executive summary translated into Arabic):

Submitted within two weeks of receiving USAID comments on the draft report

Dissemination: CD of the Final report should be sent to the USAID DEC in Washington.

ANNEX 5

EVALUATION INTERVIEW QUESTIONS FOR EACH OF THE SEVEN TAPR II COMPONENTS

The evaluation analysis was designed to assess, for each of the seven project components, what was successful and what worked effectively; where were the problems; and what are the lessons that could help USAID as it plans future programs. There were seven key questions asked at all interviews, which were then followed by questions tailored to the specific technical issues of that component.

The seven key questions were:

1. From your perspective, how successful has the project been in achieving its objectives?
2. How skilled was the technical assistance provided by the contractor's staff and consultants?
3. How effective has TAPR II been at supported your organization?
4. Is the management and operating system working effectively?
5. What can you say about the coordination been between yourself/organization with TAPR II and/or USAID personnel?
6. What are the specific plans and resources for continuing the programs into the future?
7. Finally, what are the primary lessons-learned on how to better develop the necessary skills to meet the needs of a competitive economy?

Component A Interview Questions

1. Can you please describe the financial and technical support that you received from the TAPR II USAID-funded project?
2. The overall objective of the Technical Assistance for Policy Reform (TAPR) II project is to provide a comprehensive and flexible source of technical assistance to Egyptian reformers to help them define and implement their visions. From your perspective, how successful has the project been in achieving this objective?
3. What have been the major achievements of TAPR II? What are its shortcomings?
4. TAPR II consists of seven major components and about thirty sub-components. In your opinion, which components or sub-components have been most successful and what are the key factors leading to their success in terms of their contribution to Egypt's growth?
5. What are the lessons that can be learned from the success of these activities?
6. To what extent has the upcoming closure of TAPR II changed the nature of the project and the tasks? Do you think the policy and institutional reforms the project supported will be sustained?

7. How effective have IT services been in the tasks in the Component that depend upon them?
8. How good was the technical quality and the admin capacity of the contractor's staff and consultants?
9. Was the distribution of resources across components about right? What were the procedures for moving resources across components? Did this make sense? What are the procedures for moving resources among sub components of the major components?
10. How effective was TAPR II at supporting (*select one*) customs reform/trade facilitation/trade policy skill development?
11. How has TAPR II helped customs authorities reduce the time required for customs clearance and what impact has this had on trade, especially for agricultural exports and other fragile goods?
12. What percent of goods are cleared through the green channel and how has this changed over the life of the project?
13. How well is the management and operating system designed for your component functioning? What is working optimally? Why? Where are there problems or constraints? What are they? What improvements are most urgently needed?
14. What have been the overall impacts of the (*define activity*)? How many people have been trained as a result of TAPR II support? Are there other measurable indicators of impacts? What other important impacts or changes from previous conditions are there? If not measurable is there evidence of change from project support? Will there be a need for continued support for the new, automated, web-based customs information and processing system after TAPR II ends?
15. What is the status of the organizational changes in the Customs Department and MTI to institutionalize streamlined procedures?
16. How effective is coordination between your organization, TAPR II personnel and USAID? How can information sharing be improved? Are there other donors working in the same area and, if so, is there good coordination?
17. What is the status of the new customs law, trade law, food safety law, Annex 8 Export-Import regulations, and other customs, trade facilitation and policy reforms? How has TAPR II contributed? What is the plan for implementation for the next level of customs and trade policy reforms and trade facilitation?
18. Finally, what are the primary lessons that might be used in future efforts to better develop the necessary skills to meet the needs of a competitive economy?

Components B and C Interview Questions

1. From your perspective, how successful has the project been in achieving its objectives?
2. Was the technical assistance provided by the contractor's staff and consultants appropriate to your needs?
3. How effective has TAPR II support been for your section, organization or office?

4. How well is the management and operating system designed for your TAPR II program functioning? What is working optimally? Why? Where are these problems or constraints? What are they? What improvements are most urgently needed?
5. How good is the coordination been between your organizations with TAPR II and/or USAID personnel? How can information sharing be improved?
6. What are your specific plans and resources for continuing the development programs into the future? How do you plan to expand or improve your operations? By how much and by what means?
7. Finally, what are the lessons-learned on how to better develop the necessary skills to meet the needs of a competitive economy?

Component D Interview Questions

1. Can you please describe the financial and technical support you received from the TAPR II USAID-funded project?
2. The overall objective of the Technical Assistance for Policy Reform (TAPR) II project is to provide a comprehensive and flexible source of technical assistance to Egyptian reformers to help them define and implement their visions. From your perspective, how successful has the project been in achieving this objective?
3. What have been the major achievements of TAPR II? What have been its shortcomings?
4. TAPR II consists of seven major components and about thirty sub-components. In your opinion, which components or sub-components have been most successful and what are the key factors leading to their success in terms of their contribution to Egypt's economic growth?
5. What are the lessons that can be learned from the success of these activities?
6. To what extent has the upcoming closure of TAPRII changed the nature of the project and the tasks? Do you think the policy and institutional reforms the project assisted will be sustained?
7. How effective have IT services been in the tasks that depend upon them?
8. How would you rate the technical quality and administrative capacity of the contractor's staff and consultants?
9. Was the distribution of resources across sub-components about right? What were the procedures for moving resources across sub-components? Did this make sense? What are the procedures for moving resources among sub components of the major components?
10. How effective was TAPR II in skill development?
11. How has TAPR II helped your agency improve the policy environment for business and what impact has this had on economic growth?
12. How well is the management and operating system designed for your component functioning? What is working optimally? Why? Where are there problems or constraints? What are they? What improvements are most urgently needed?
13. What have been the overall impacts on your activity? How many people have been trained as a result of TAPR II support? Are there other measurable

- indicators of impacts? What are other important changes from previous conditions that may not be measurable but are evidence of change resulting from TAPR II support?
14. How is your work being coordinated with Component D, Facilitating Services to the Private Sector, to keep a strategic focus?
 15. How would you describe the coordination of your activities with the business community and other partners to balance demand driven responsiveness with the need for a cost effective, strategic focus?
 16. Will there be a need for continued support for your agency or activity after TAPR II ends?

Component E and F Interview Questions

- Items 1 to 7 are the same as those in section D above.
8. From your perspective, how successful has the project been in achieving this objective?
 9. What have been the overall impacts of the (*define activity*)? What are measurable indicators of these impacts (i.e., increase in business licenses/ # of days to complete licensing process/ number of regs. Reduced/ # of commercial registry centers upgraded/etc.)?
 10. How was the technical support that you received from the TAPR II USAID-funded project used?
 11. How effective have IT services been in the tasks that depend upon them?
 12. How effectively has TAPR II supported (*select one*) regulatory reform/commercial registry modernization/ competitiveness/reform of industrial parks and zones? What were the greatest achievements? What have been constraints or shortcomings?
 13. Is the management and operating system designed for the delivery of services working optimally? What improvements are most urgently needed?
 14. What are other important impacts or changes that may not be measurable but are evidence of change resulting from TAPR II support?
 15. How would you describe the coordination of your activities with other activities of TAPR II?
 16. To what extent has the planned closure of TAPR II changed the nature of your organization's functions? Will there be a need for continued support for your agency/activity after TAPR II ends?
 17. What are the specific plans and resources for continuing these TAPR II services into the future? Do you plan to maintain or expand, and if so, by how much and by what means?
 18. Finally, what are the primary lessons learned in developing these new activities or services? What would you do differently?

Component G Human Resources

1. The overall objective of the Technical Assistance for Policy Reform (TAPR II) project is to provide a comprehensive and flexible source of technical assistance to Egyptian reformers to help them define and implement their visions. From your perspective, how successful has the project been in achieving this objective?
2. What have been the major achievements of TAPR II? What have been its shortcomings?
3. What are the lessons that can be learned from the success of these activities?
4. How good has coordination been between your organization, TAPR II personnel and USAID? How can information sharing be improved? Are there other donors working in the same area and, if so, is there good coordination?

ANNEX 6

ACRONYMS

ATR	Assistance to Trade Reform
AU	Alexandria University
AUC	American University Cairo
BOT	Build Operate Transfer
BTB	Behind the Borders
CBE	Central Bank of Egypt
CMA	Capital Market Authority
CPA	Consumer Protection Agency
CR	Commercial Registry
CRU	Customs Reform Unit
CTO	USAID Cognizant Technical Officer
CU	Cairo University
DEPRA	Development Economic Policy Reform Analysis
EBI	Egyptian Banking Institute
ECA	Egyptian Competition Agency
ECA	Egyptian Customs Authority
EFS	Egypt Financial Services project
EISA	Egyptian Insurance Supervisory Agency
ENCC	Egyptian National Competitive Council
ERRADA	Egyptian Regulatory Reform and Development Activity
ETA	Egyptian Tax Authority
EU	European Union
FAR	Federal Acquisition Regulations
FSA	Food Safety Agency
FSVC	Financial Services Volunteer Corps
FTA	Free Trade Agreement
GAFI	General Authority for Investment and Free Zones
GOE	Government of Egypt
GOEIC	General Organization for Export and Import Control
IDA	Industrial Development Agency
IITC	Initial Implementation Tasks for Customs

IMF	International Monetary Fund
IPR	Intellectual Property Rights
IPRA	Intellectual Property Rights Assistance project
IT	Information Technology
IU	Indiana University
M&E	Monitoring and Evaluation
MCC	Modern Customs Centers
MoF	Ministry of Finance
MoH	Ministry of Housing
MoI	Ministry of Investment
MMTA	Multi-Modal Transport Agreement
MTI	Ministry of Trade and Industry
NCIS	National Customs Information Center
PPP	Private Public Partnerships
PPS	USAID Policy and Private Sector Office
RTGS	Real Time Gross Payments System
SO	USAID Strategic Objective
SOW	Statement of Work
SSBC	Smart Services Business Center,
Tamayouz.	One stop business support Centers
TAPR	Technical Assistance for Policy Reform
TIR	Transports Internationaux Routiers system
TSA	Treasury Single Account
USAID	United States Agency for International Development
USFDIC	U. S. Federal Deposit Insurance Corporation
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization