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MACRO-ECONOMIC STABILIZATION AND REFORM (MESR) ACTIVITY

QUARTERLY REPORT

FY19 Q1: October – December 2018

January 30, 2019

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MACRO-ECONOMIC STABILIZATION AND REFORM (MESR) ACTIVITY

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ACRONYMS AND ABBREVIATIONS

CIS	Continuous Improvement System
COP	Chief of Party
CU	Communication Unit
DAI	DAI Global, LLC
EBRD	European Bank for Reconstruction and Development
EOU	Equal Opportunities Unit
ESCWA	Economic and Social Commission for Western Asia
ETA	Egyptian Tax Authority
FTCEU	Fiscal Transparency and Citizen Engagement Unit
GDP	Gross Domestic Product
GFMIS	Governmental Financial Management Information System
GOE	Government of Egypt
GRB	Gender Responsive Budgeting
ICB	Institutional Capacity Building
ICT	Information and Communication Technology
INP	Institute of National Planning
IRFs	Investment Request Forms
ISIPPM	Integrated System for Investment Plan Preparation and Monitoring
IT	Information Technology
M&E	Monitoring and Evaluation
MEL	Monitoring, Evaluation and Learning
MENA	Middle East and Northern Africa
MESR	Macro-Economic Stabilization and Reform
MFPU	Macro-Fiscal Policy Unit
MOF	Ministry of Finance
MPMAR	Ministry of Planning, Monitoring and Administrative Reform
MTEF	Medium-Term Expenditure Framework
NCW	National Council for Women
OECD	Organization for Economic Cooperation and Development
PPP	Public Private Partnership
RPOs	Regional Planning Offices
SPL	State Planning Law
STTA	Short-term Technical Assistance
SDS	Sustainable Development Strategy
SWF	Sovereign Wealth Fund
TSA	Treasury Single Account
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

On November 25, 2018 the Objective One Lead joined the MESR team. During the reporting period, the Objective One team has coordinated with Objective Two and the PPP Unit, and identified international STTA to review proposed amendments to the PPP Law, conduct a PPP workshop for MESR counterparts, and establish screening criteria for potential PPP projects. MESR finalized the proposed revisions to the State Planning Law and submitted the report with recommendations for improvements to USAID. The project also supported an expert meeting to discuss the roles and responsibilities of the Regional Planning Offices as they pertain to existing laws, and the possibility for improvement in light of proposed changes to the Planning Law. MESR held meetings with the Macro-Economic Unit in MPMAR and agreed to produce white papers on economic topics including enhancing coordination between planning and fiscal policies and analyzing the employment impact of public investment. MESR will support the Macro-Economic Unit in issuing the first Micro, Small and Medium Enterprises (MSME) Index in Egypt. The MESR team completed the updated Module One- Plan Preparation of the Integrated System for Investment Plan Preparation and Monitoring (ISIPPM). With the support of the MESR project, changes to the process and automation of public investment requests enable a much-improved oversight capability and enhance GOE decision making. Finally, under Objective One, MESR held meetings with MPMAR regarding a comprehensive update to the Sustainable Development Strategy: Egypt Vision 2030 and a work plan of specific activities defining this process. MESR finalized and submitted a scope of work to USAID for the short-term technical assistance required for this activity. The updated strategy should be presented by MPMAR to the Egyptian Prime Minister and Cabinet by the end of March 2019.

In mid-October 2018, MESR onboarded the Objective Two Lead. During the reporting period the MESR team under Objective Two established or furthered dialogues with representatives of the MOF Public Private Partnership Central Unit, Macro-Fiscal Policy Unit, Equal Opportunities Unit, Fiscal Transparency and Citizen Engagement Unit, Government Financial Management Information System Unit, MOF Internal Audit Department, and MOF International Tax and Non-Tax Revenues Advisors. In addition to meeting with MOF representatives, MESR met with a representative of the MPMAR Macro-Economic Unit. The purpose of these meetings was to get oriented with the functions performed by the department and units and identify their technical assistance needs. Based on the information obtained, MESR will design technical assistance plans for the counterparts. On November 28, 2018, USAID and MESR representatives met with the MOF Vice Minister for Fiscal Policies and senior MOF staff to learn about areas for which MOF seeks MESR support. During the meeting, the Vice Minister outlined his three priority areas: 1) public private partnerships; 2) program budgeting; and 3) gender responsive budgeting. The assistance plans MESR is designing with input from MOF staff support these priorities. MESR plans to commence technical assistance in these areas next quarter, starting with assistance to the Public Private Partnership Central Unit (described under Result 2.4 below) scheduled to begin in January 2019.

INTRODUCTION

This Quarterly Report provides an overview of progress achieved by the USAID Macro-Economic Stabilization and Reform (MESR) activity during Fiscal Year 2019, Quarter I (October-December 2018). The MESR activity continues to provide practical, professional and innovative support to its partners through varied interventions. This include workshop delivery, experts meeting, institutional support, training and technical assistance. These interventions contribute to the structural reforms that facilitate the private sector's role in economic growth and improve governance within GOE institutions through increases in public transparency and accountability.

ACHIEVMENT OF MESR OBJECTIVES

OBJECTIVE I: IMPROVED PUBLIC INVESTMENT PLANNING, IMPLEMENTATION AND MONITORING TO ENHANCE THE PRODUCTIVITY OF PUBLIC CAPITAL ASSETS AND EFFICIENCY AND EFFECTIVENESS OF PUBLIC SERVICES

OVERVIEW

The Team Lead for Objective One joined MESR on November 25, 2018. During this quarter, the Objective One Team completed the delivery of training on Module One "Plan Preparation" of the Integrated System for Investment Plan Preparation and Monitoring (ISIPPM) in five governorates covering all governmental entities. The MESR team, in collaboration with MPMAR, started the process of updating the Sustainable Development Strategy: Egypt Vision 2030 (SDS) which is planned to be presented to the Cabinet by end of March 2019.

Result 1-1: Capital investment appraisal and decision support mechanisms at the MPMAR and across all government entities strengthened, with standardized cost and benefit valuation methods

Implementation of the capital investment appraisal activities have been delayed pending resolution of contractual issues relating to use of services provided by the Institute of National Planning (INP). The INP is a principal focus for the project 'Sustainability Plan' and working with them requires specific approaches that align with USG procurement processes given the INP's status as a quasi-governmental entity. The project will have resolution of these issues in February, 2019.

Result 1-2: Suitable alternative financing schemes developed

The MESR team held meetings with the Head of the PPP Unit in the MOF, and identified the need for international STTA to develop training materials and deliver training to the PPP Central Unit, MPMAR officials and satellite units during the following quarter. The STTA will also work closely with the MESR team to establish a screening unit within the MPMAR and the development of screening criteria for potential PPP projects. This is a requirement under the new PPP law and will serve to broaden the use of alternative financing schemes for public investment projects.

The MESR team has also received proposed amendments to the PPP law from the Head of PPP Unit at MOF. MESR staff and the international STTA advisor will review the proposed amendments during the beginning of the following quarter and provide appropriate recommendations to MOF authorities.

Result 1-3: Process flows related to public investment management and finance improved—from capital investment initiation through planning, formulation, appraisal, funding, monitoring, and evaluation

This quarter MESR finalized the proposed revisions to the State Planning Law and submitted the report with recommendations for improvements to USAID for approval before submission to MPMAR.

On November 18, 2018, MESR supported an expert meeting to discuss the roles and responsibilities of the Regional Planning Offices as they pertain to existing laws, and the possibility for improvement in the light of proposed changes to the Planning Law. The meeting was attended by 17 participants including representatives from the MPMAR Regional Planning Sector, the Office of the Deputy Minister for Planning, and the Central Department for Upper Egypt Regions and Middle Upper Egypt Regional Offices. Experts from the Upper Egypt Local Development Program, the World Bank Office for Middle East and North Africa, the Faculty of Economics and Political Science, the Faculty of Urban and Regional Planning, and the General Organization for Physical Planning, and MESR team members were also in attendance. The meeting addressed the organizational structure of the regional planning sector and the roles and responsibilities of the regional planning offices according to laws and decrees governing regional planning, specifically: 1) Law No. 70 of 1973 on Local Administrative System; and, 2) Presidential Decree No. 495 of 1977 dividing the Arab Republic of Egypt into economic regions and establishing regional planning bodies (Annex presented the meeting report).

Members of the MESR team held a meeting with the Head of the Macro-Economic Unit in MPMAR, during which it was agreed that MESR will produce white papers on economic topics including enhancing coordination between planning and fiscal policies, and analyzing the employment impact of public investment. MESR will support the Macro-Economic Unit in issuing the first Micro, Small and Medium Enterprises (MSME) Index in Egypt, and assigned a short-term statistician to assist the Macro Economic Unit in this regard beginning in January 2019. The MSME index will ensure data on enterprises not covered by current statistics is integrated into the statistical data on enterprises working in various economic sectors, and support macroeconomic analysis.

Result 1-4: The existing monitoring and evaluation system at the MPMAR upgraded to ensure that all capital investments are linked to the SDS 2030 goals and objectives, their performance is monitored, and maintenance and operation budgets are allocated for them

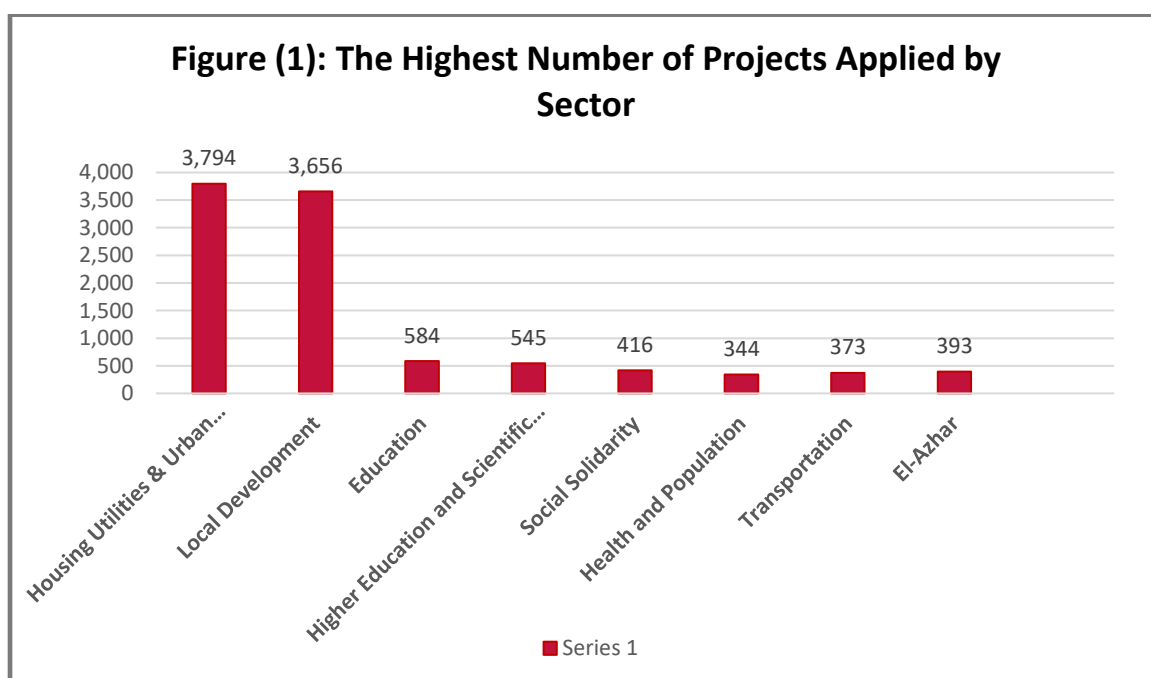
To improve monitoring and evaluation within the MPMAR, MESR supports the development of the ISIPPM system that includes four modules: 1) Plan Preparation, 2) Projects Database, 3) Transfers and Reallocations, and 4) Monitoring and Evaluation. This quarter MESR conducted a review of the Planning Module, which tackles plan preparation and development, to identify improvements to the automated process of receiving the investment plan requests from governmental entities and train relevant staff on the use of revised investment request forms. Accordingly, fifteen workshops were conducted in Cairo, Ismailia, Alexandria, Assuit

and Luxor during October 2018 targeting all public governmental entities in Egypt. The training was conducted by members of the MESR team, the MPMAR Planning and Monitoring Sector and the MPMAR Information Center. The workshops were conducted with two main objectives:

- Train the staff of MPMAR, Regional Planning offices of MPMAR, and staff of Planning Departments in the main and sub-governmental entities from all governorates on how to complete and submit the investment request form using the automated system.
- Test the automated system to identify errors and gaps through practical application during the training workshop.

During the training, the participants had the opportunity to prepare investment requests for several projects from different sectors. Moreover, the MESR team revised and updated the user guide manual and created illustrated video to assist system users. Between the completion of the training in October and the end of the reporting period, the total number of projects submitted using the updated automated system reached 11,698, representing a significant increase over previous years. For example there were just 50 requests in 2017. This is as a result of increased transparency that is now possible due to the automation and enhancement of the request process. In the past, projects were grouped together making it difficult to truly assess the nature of a specific project and its efficacy. This lack of transparency contributed to unnecessary budget expenditures and a lack of oversight. With the help of the MESR project, changes to the process and automation enable a much-improved oversight capability and enhances GOE decision making. Figure (1) provides the number of project requests by sector.

Because of the high number of new requests, MESR also developed selection criteria that will enhance and improve the project prioritization process.



Result 1-5: Opportunities identified for coordination between the MPMAR and the MOF in the areas of budget formulation, planning, and execution, and tools recommended for such coordination

Linking public investments to well defined strategic development goals is an important high-level goal for the project as it sets the stage for other key reforms such as program-based budgeting, medium term frameworks, and enhanced capacity for planning. In November and December MESR's Objective One team held several meetings with the Deputy Minister for Planning Affairs and the Head of the Sustainable Development Unit in MPMAR to determine the technical assistance that MESR could provide. The meetings covered support that MESR can provide for updating the Sustainable Development Strategy: Egypt Vision 2030 and a work plan of specific activities defining this process. The updated strategy should be presented by MPMAR to the Egyptian Prime Minister and Cabinet by the end of March 2019. MESR finalized and submitted a scope of work to USAID for the short-term technical assistance required for this activity.

The MPMAR will be conducting an Economic Census in 2019 to gather and analyze key economic data that will be used to support the planning activities of the ministry. MESR will support the GOE in conducting this Economic Census. The Census will provide accurate and reliable data that will feed into the design of different macroeconomic scenarios and inform evidence-based decisions that will support economic reform and the achievement of the SDS:2030 goals.

Planned activities under Objective One for the next quarter

Result 1-1: Capital investment appraisal and decision support mechanisms at the MPMAR and across all government entities strengthened, with standardized cost and benefit valuation methods

- Identify international expert to support the cost-benefit analysis training.
- Finalize the agreement with the INP or another comparable institution regarding the cost-benefit analysis training.

Result 1-2: Suitable alternative financing schemes developed

- Identify international expert to draft an RFP for the institution that will work on structuring, organizing and setting management rules for the SWF.
- Review the business model of the PPP Unit.
- Continue coordination between with the PPP Unit in the MOF and MPMAR regarding screening criteria and management of investment projects.
- Review alternative financing schemes, interview counterparts, apply best practices, and engage staff for capacity building.
- Deliver a PPP training course for MOF, MPMAR and satellite PPP units informed by a review of their current capacity and specific training needs.

Result 1-3: Process flows related to public investment management and finance improved—from capital investment initiation through planning, formulation, appraisal, funding, monitoring, and evaluation

- Organize workshops with stakeholders on investment planning legislative review.
- Continue supporting the Macro-Economic Unit.

Result 1-4: The existing monitoring and evaluation system at the MPMAR upgraded to ensure that all capital investments are linked to the SDS 2030 goals and objectives,

their performance is monitored, and maintenance and operation budgets are allocated for them

- Implement training plan of Module Two of the ISIPPM related to Transfers and Reallocation.
- Develop and finalize the third and fourth modules of the ISIPPM with the assistance of a senior M&E expert.

Result 1-5: Opportunities identified for coordination between the MPMAR and the MOF in the areas of budget formulation, planning, and execution, and tools recommended for such coordination

- Supporting the proposed joint committee between MOF and MPMAR.
- Support the Communication Unit in MPMAR with implementation of its communications strategy, including efforts to engage Egyptian citizens regarding SDS: 2030 and monitoring of public investment projects.
- Cooperate on supporting the State of Development Report 2018, in cooperation with INP, to support setting economic objectives as the basis for both the SDS: 2030 update and capital investment appraisal.
- Finalize the updated SDS: 2030, in collaboration with MPMAR to be presented to the Cabinet.

OBJECTIVE II: UPGRADED EFFECTIVENESS OF PUBLIC FINANCIAL MANAGEMENT TO IMPROVE FISCAL MANAGEMENT, BUDGETING AND EXPENDITURE CONTROL, AND PROMOTE GREATER BUDGET EFFICIENCY, TRANSPARENCY AND ACCOUNTABILITY

OVERVIEW

Security clearance to work with the MOF was obtained in September 2018, allowing the MESR team to initiate work with the MOF. MESR onboarded the Team Lead for Objective Two in mid-October 2018. During the reporting period the MESR Objective Two team established or furthered dialogues with representatives of the MOF Public Private Partnership Central Unit, Macro-Fiscal Policy Unit, Equal Opportunity Unit, Fiscal Transparency and Citizen Engagement Unit, Government Financial Management Information System Unit, MOF Internal Audit Department, and MOF International Tax and Non-Tax Revenues Advisors. In addition to meeting with key MOF representatives, the MESR Objective Two team met with a representative of the MPMAR Macro-Economic Unit. The purpose of these meetings was to understand the functions performed by the different departments and units and identify their technical assistance needs. Based on the information obtained, MESR will design technical assistance plans for these counterparts.

On November 28, 2018, USAID and MESR representatives met with the MOF Vice Minister for Fiscal Policies and senior MOF staff to obtain input on areas where the MESR project can support the MOF. During the meeting the Vice Minister outlined his three priority areas: 1) public private partnerships; 2) program budgeting; and 3) gender responsive budgeting. The assistance plans MESR is designing, with input from MOF staff, support these priorities. MESR plans to commence technical assistance in these areas next quarter, beginning with assistance to the Public Private Partnership Central Unit (described under Result 2.4 below) scheduled to start in January 2019.

Result 2.1: Improved cash management to support fiscal consolidation

Initially, MESR believed there would be a need to address the issues concerning the Treasury Single Account (TSA) and cash management, and that enhanced functionality of the Government Financial Management Information System (GFMIS) could include the development of a cash management module. During subsequent meetings with MOF officials, we have been advised that the TSA is operating as it should, and that a cash management module has been implemented within the GFMIS or that implementation is being considered.

Certain activities related to fiscal consolidation, and to the GFMIS in particular, were suspended pending MOF approval for MESR to work in this area. At a meeting held on November 28, 2018, the MOF Vice Minister authorized MESR to meet with representatives of the MOF to discuss the GFMIS. In December 2018 MESR representatives had an initial meeting with MOF officials to discuss the status of the GFMIS. With MOF approval, MESR expects to have the opportunity to conduct a review of the GFMIS, and possibly the TSA, in the following quarter. Based on this review MESR will determine the extent, if any, technical assistance is needed in these areas.

Activity 2.1.1: Review GFMIS implementation and assess integration with the e-payment system. On December 18, 2018, USAID and MESR representatives met with two representatives of the MOF to discuss the status of GFMIS implementation in the GOE and to identify technical assistance activities that MESR may provide to support the use and effectiveness of the GFMIS. The MOF representatives stated that they have conducted an internal assessment of the GFMIS, but may be willing to allow an international expert hired by MESR to conduct a GFMIS assessment. The MOF representatives stated that they would like support in organizing a study tour to a country of a similar size that has implemented a GFMIS effectively. A follow-up meeting will be held in the following quarter to discuss GFMIS issues in greater detail.

If MOF approval is received, MESR will review GFMIS implementation, identify gaps and problems, prepare a gap analysis, and recommend improvements in the use and configuration of the software. Integration with the e-payment system presents specific challenges because it is based on a different technology platform, and therefore will be conducted in later project years. To ensure best practices are followed, MESR will engage short-term technical assistance from international advisors and long-term support from MESR staff. Future MESR technical assistance will be designed based on the results of the GFMIS review.

Result 2.2: Improved effectiveness and efficiency of the budgeting process to ensure that current and capital expenditures are allocated to achieve program results such as the targets in the Sustainable Development Strategy 2030

The SDS 2030 has ambitious targets, and the investments and programs required to achieve these targets need sufficient funding. The current budgeting process focuses on line items and aggregates organizational costs instead of planning for multiyear expenditures or the implementation of specific programs. Implementing program-based budgeting with defined performance goals, as well as enhancing use of the Medium-Term Expenditure Framework (MTEF), would better enable the GOE to allocate resources to investments and programs that will achieve the desired results.

At the outset of the project, MESR identified resources required to perform activities under Result 2.2. However, activities related to the budgeting process were suspended pending MOF

approval for MESR to work in this area. On November 28, 2018 MESR received MOF approval to review the MOF budget process. However, MESR has not yet had an opportunity to meet with MOF budget staff. Once MESR short- and long-term advisors meet with budget staff, MESR plans to initiate activities under Result 2.2, beginning with a review of the budgeting process (described below).

Activity 2.2.1: Conduct gap analysis of and plan for strategic reforms. Once MOF approval is obtained, MESR will conduct a gap analysis to identify opportunities to improve the effectiveness and efficiency of the GOE's budget process. The gap analysis will include a review of legislation, regulations, decrees, processes, procedures, staffing, roles and responsibilities, and information systems, while taking into consideration international best practices. Based on the gap analysis, MESR will identify, prioritize, and implement targeted interventions to address immediate high-value issues, and will develop a more holistic plan of strategic reforms including longer-term activities. Specifically, MESR will design a technical assistance plan to support the GOE in expanding the scope and use of program budgeting. MESR has identified a Budget Advisor to conduct the gap analysis and initiate training on program budgeting. Pending MOF approval, the assistance is projected to commence in the following quarter.

On November 28, 2018, the MOF stated that gender responsive budgeting (GRB) implementation is a priority for the MOF. As part of its holistic budget reform plan, MESR met with representatives of the MOF Equal Opportunities Unit (EOU) on multiple occasions during the reporting period to discuss the implementation of GRB in budget units. During the reporting period MESR developed a technical assistance plan to support implementation of GRB that includes: 1) conducting a gender assessment; 2) drafting a GRB training manual; 3) training staff of the MOF EOU and other governmental Equal Opportunities Units on GRB; and 4) coaching budget units in the implementation of GRB. This assistance, which is projected to commence with a gender assessment in the following quarter, will utilize the resources of MESR Objectives One and Two, Monitoring, Evaluation and Learning (MEL) Department, and Communications Department, with support from international and local advisors.

In a meeting held on November 28, 2018, the MOF Vice Minister suggested that MESR meet with the newly-formed MOF Internal Audit Department to discuss potential areas of MESR support. The Internal Audit Department is critical to many of MESR's activities, as the Department will perform both financial and performance audits of MOF units. On December 18, 2018, USAID and MESR representatives met with the MOF Deputy Minister and Head of the Internal Audit Department, to obtain information on the functions and structure of the Internal Audit Department and identify possible areas where MESR may be able to provide technical assistance to the Department. The Head of Internal Audit stated that the department was established one month ago, is currently comprised of twelve staff, and could benefit from technical assistance in specified areas that he will describe in subsequent correspondence with MESR. Based on this input, MESR will draft a technical assistance plan for the Internal Audit Department. The assistance is projected to commence in the following reporting quarter.

Activity 2.2.2: Facilitate coordination between the MOF and MPMAR to improve budgeting for current and capital expenditures. Current and capital expenditures need to be planned properly because both types of expenditures carry their own sets of risks. If capital expenditures are underestimated, funds may be diverted from program expenditures or budget deficits may increase. Conversely, if less funds are available for capital projects than anticipated projects may be cut back, delayed, or even cancelled. Enhanced coordination between the MOF and MPMAR would help ensure that priority capital investments receive their required funding

and do not crowd out critical line ministry expenditures.

During the reporting period MESR started developing plans to support the GOE in this area by engaging MOF and MPMAR staff in workshops to design the coordination processes and protocols between the two ministries and to provide mentoring on these critical issues. The coordination processes and protocols will be incorporated into the Continuous Improvement System (CIS) to ensure sustainability.

Activity 2.2.3: Enhance participatory budgeting and transparency. In October 2018, the MOF established a Fiscal Transparency and Citizen Engagement Unit (FTCEU). During the reporting period MESR staff from Objective Two and the Communications Department met with FTCEU representatives on multiple occasions during the reporting period to obtain information on FTCEU activities and to discuss how MESR can support the FTCEU's efforts to develop participatory budgeting and to make more data, information, and budget reports available to the public. MESR and the FTCEU are developing a technical assistance plan that takes into account assistance the FTCEU is receiving from other donor organizations. MESR support to the FTCEU is expected to commence in the following quarter.

Result 2.3: Improved tax administration, tax revenue analysis, and forecasting system with capability to guide tax policy formulation, domestic resource mobilization, and budget execution

In Egypt, tax revenues comprise only 13 percent of GDP, far below the MENA regional average of 27 percent. Tax revenues can be increased through changes in both tax policy and administration, thereby creating fiscal space for public investments.

At the outset of the project, MESR identified resources required to perform activities under Result 2.3. However, activities related to taxation were suspended pending MOF approval for MESR to work with the Egyptian Tax Authority (ETA). Once MESR is allowed to meet with the ETA the project will begin designing a technical assistance plan for the ETA.

Activity 2.3.1: Review, identify gaps, and provide recommendations on improving the existing tax revenue analysis and forecasting tools. In prior years the MOF received extensive technical assistance focused on tax revenue analysis and forecasting. To determine the level of technical assistance, if any, needed in this area MESR plans to conduct a systemic review of the MOF's current tax revenue analysis and forecasting capacity at both the Macro-Fiscal Policy Unit (MFPU) and ETA. During the reporting period MESR fielded a short-term advisor to initiate a gap analysis of the revenue forecasting capacity of the MFPU and ETA. The advisor conducted an initial review based on the limited information available. The gap analysis will be completed when MESR is given the opportunity to meet with appropriate MFPU and ETA officials. When completed, MESR will design a technical assistance plan based on the gap analysis.

Activity 2.3.2: Engage the MOF's Tax Reform Unit in a comprehensive review of tax policy and compliance. As mentioned previously, MESR has not yet had an opportunity to meet with ETA representatives, so it has not yet initiated its planned comprehensive review of tax policy and compliance. On December 20, USAID and MESR representatives met with the Tax Advisor to the Minister of Finance, the Non-Tax Revenues Advisor to the Minister of Finance, and the Deputy Head of the MOF International Affairs Unit, to obtain information on the status of tax and non-tax initiatives being advanced by the MOF and to identify possible areas where MESR may provide technical assistance. Much of the discussion focused on international tax initiatives (exchange of information, transfer pricing, etc.) being implemented by the MOF with

support from the Organization for Economic Cooperation and Development (OECD).

Result 2.4: Improved capacity of the MOF to measure, manage, and monitor fiscal risks and engage in public-private dialogue

Recent macroeconomic events underscore the importance of the GOE to measure and monitor fiscal risks. Unanticipated revenue shortfalls or expenditure increases drive fiscal risks, put pressure on the GOE budget, and increase deficits and public debt. Fiscal risks emanate from financial shocks, major swings in global commodity prices, large losses at state-owned enterprises and other economic authorities, deficits of subnational governments, and contingent liabilities from public private partnerships. To address these issues, MESR plans to assist the MOF in developing and operationalizing a fiscal risk system.

At the outset of the project, MESR identified resources required to perform activities under Result 2.4. However, before providing support in this area MESR must ascertain what assistance, if any, is needed with respect to fiscal risk management. At a meeting held on November 28, 2018, the MOF Vice Minister indicated that the MOF is not requesting immediate assistance from MESR in this area, but may request that MESR provide training in fiscal risk management in the future.

Activity 2.4.1: Implement a fiscal risk management system. As noted above, activities associated with the implementation of a fiscal risk management system will be conducted when requested by the MOF. However, one activity that has a bearing on fiscal risk management that can be addressed by MESR are contingent liabilities of PPPs. During the reporting period MESR met with the Head of the MOF Public Private Partnership Central Unit and his staff. Based on input received during these meetings, as well as meetings MESR Objective One staff held with MPMAR representatives, MESR developed a technical assistance plan to support the MOF and MPMAR in conducting activities to advance the use and effectiveness of PPPs in Egypt. Technical assistance activities include: providing assistance in developing screening criteria for potential PPP projects; providing comments on draft amendments to the PPP Law and accompanying regulations; supporting the MOF PPP Central Unit in examining the structure and functions of the PPP Central Unit and satellite PPP units; and preparing a PPP training course and training staff in the MOF, MPMAR and satellite PPP units. MESR has identified a PPP Advisor to conduct these activities and received USAID approval for the Advisor to commence work in January 2019.

Activity 2.4.2: Build structured and transparent mechanisms for public-private dialogue. Numerous mechanisms can be employed to increase public-private dialogue regarding macroeconomic policy. MESR will leverage existing mechanisms implemented by other projects to engage key private sector entities and broader civil society. MESR will also advocate for greater transparency in fiscal policy and increased dissemination of information on capital investments, PPPs, proposed budgets, and actual public expenditures via multiple channels including websites, social media, and traditional news media. These efforts will be part of a broader public education campaign supported by MESR.

During the reporting period MESR examined possible mechanisms that can be employed to promote public-private dialogue. On December 2, 2018, MESR representatives participated in a meeting chaired by the MOF Vice Minister. At the meeting, the Executive Director of the National Academy for Training and Rehabilitation of Youth (NTA) gave a presentation on the NTA, which, “aims to achieve the human development requirements of youth cadres in all

sectors of the State and improve their abilities and skills.” Representatives of the World Bank, EU, EBRD and African Development Bank also attended the meeting. After obtaining approval from USAID, MESR representatives plan to meet with the Executive Director to explore possible areas of cooperation with the NTA as a means to ensure the sustainability of MESR training courses as well as promote public-private dialogue.

Planned activities under Objective Two for the next quarter

Result 2-1: Improved cash management to support fiscal consolidation

- Pending MOF approval, conduct a review of the GOE’s GFMIS and, based on the review, determine the extent of MESR technical assistance to be provided in this area.

Result 2-2: Improved effectiveness and efficiency of the budgeting process to ensure that current and capital expenditures are allocated to achieve program results such as the targets in the Sustainable Development Strategy 2030

- Pending MOF approval, conduct a gap analysis to identify opportunities to improve the effectiveness and efficiency of the GOE’s budget process. Following the gap analysis, MESR will design a technical assistance plan to support the GOE in expanding the scope and use of program budgeting.
- Conduct a gender assessment and initiate support for expanding the implementation of GRB.
- Conduct a review of the MOF Internal Audit Department and, based on the review, design technical assistance plan for MESR support to the Department.
- Develop a technical assistance plan and provide support to the FTCEU to advance budget transparency initiatives.

Result 2-3: Improved tax administration, tax revenue analysis, and forecasting system with capability to guide tax policy formulation, domestic resource mobilization, and budget execution

- Continue its review of the MOF’s current tax revenue analysis and forecasting capacity at both the MFPU and ETA. This activity will be performed when MESR is given the opportunity to review the MFPU’s and ETA’s revenue forecasting capacity. Based on the review, MESR will determine the extent of assistance to be provided in this area.
- Determine support MESR can provide to the MOF to support transfer pricing and exchange-of-information initiatives.
- Pending MOF approval, conduct a comprehensive review of tax policy and compliance in order to identify opportunities to increase tax revenues and tax administration efficiency while reducing taxpayer compliance burdens.
- Pending MOF approval, initiate a review of the ETA’s ICT systems and, based on the review, prepare a gap analysis with recommendations for improvement.

Result 2-4: Improved capacity of the MOF to measure, manage, and monitor fiscal risks and engage in public-private dialogue

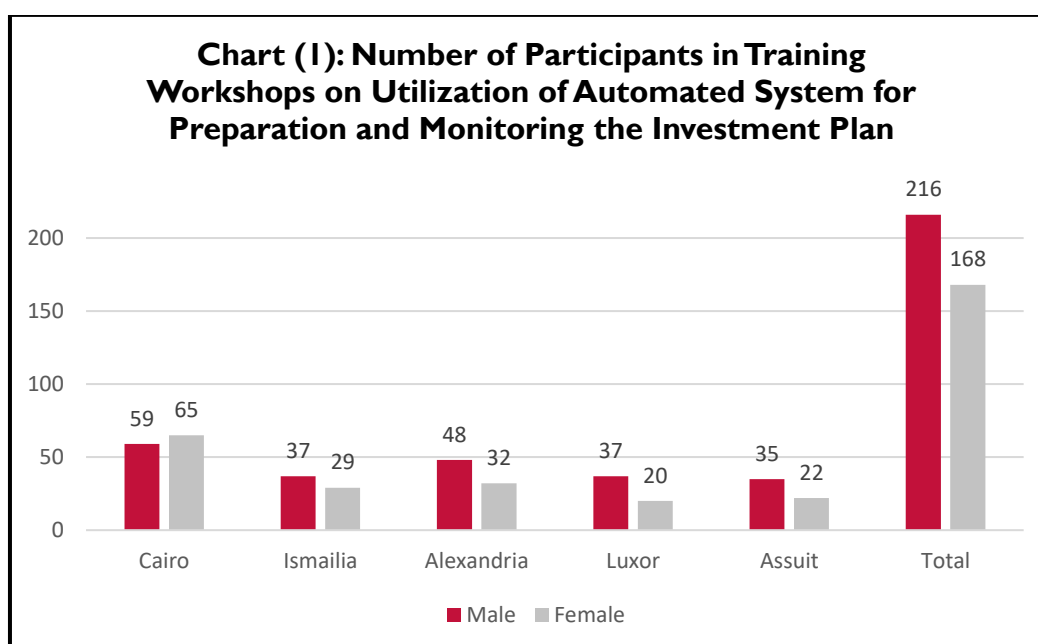
- Retain a PPP Advisor for a short-term assignment to support the MOF and MPMAR in advancing the use and effectiveness of PPPs in Egypt.
- Meet with representatives of the NTA to explore possible areas of cooperation with the NTA as a means to ensure the sustainability of MESR training courses as well as promote public-private dialogue.

CAPACITY BUILDING

This quarter, the MESR Institutional Capacity Building (ICB) team supported the following activities under Objective One:

1) Training on the utilization of the modified Investment Request Forms-Module I:

The training contributes to the Sub-Result I-4: Monitoring and Evaluation System at MPMAR Upgraded and Linked to SDS 2030. The Investment Request Forms (IRFs) are used by the governmental entities to submit their projects' requests under the Module I-Plan Preparation. Improving the IRFs utilization would enhance the M&E capacity to ensure that capital investments projects are linked to SDS 2030. Therefore, the training aims to: 1) familiarize public officials with the logic and rationale behind the IRFs and 2) enhance the utilization of IRFs for submitting investment projects by public officials. The training was attended by 384 participants broken down into 216 males and 168 females across all governorates of Egypt as presented in Chart 1. The training was delivered using well-equipped training labs in five governorates.



- 2) Implementation of the Experts Meeting on the Future Role of the Regional Planning Offices (RPOs)** that took place at Le Meridien Heliopolis on November 18 and was attended by a total of 17 participants, 8 males and 9 females. The objective of the workshop was to discuss the roles and responsibilities of the Regional Planning Offices and the local planning entities considering rule of existing laws and the possibility for improvement. The workshop contributed to Result 1.3: Process flows related to public investment management and finance improved—from capital investment initiation through planning, formulation, appraisal, funding, monitoring, and evaluation.
- 3) Implementation of the Investment Projects' Evaluation One-Day Workshop** on December 6 that took place at the Institute of National Planning (INP). The workshop was attended by 17 participants (8 male and 9 female) from the plan and preparation department at MPMAR. The objective of the meeting was to discuss and finalize the draft evaluation form that MESR team developed, in collaboration with MPMAR senior

officials in order to have a well-defined evaluation criteria that would be used by MPMAR for approving or rejecting the submitted investments' projects. This workshop contributes to Result 1.4: The existing monitoring and evaluation system at the MPMAR upgraded to ensure that all capital investments are linked to the SDS 2030 goals and objectives, their performance is monitored, and maintenance and operation budgets are allocated for them.

- 4) Implementation of the **Revising the Names of the Public Investment Projects meeting** that was held on December 12, 2018 at the Institute of National Planning (INP) and attended by a total of 15 high level officials (7 male and 6 female). The objective of the meeting was to discuss how to set the names of the public investment projects to reflect the projects' components, planned objectives and results. The workshop contributes to Result 1.4: The existing monitoring and evaluation system at the MPMAR upgraded to ensure that all capital investments are linked to the SDS 2030 goals and objectives, their performance is monitored, and maintenance and operation budgets are allocated for them.

Planned activities for the next quarter:

- 1) **A training workshop on the Investment Projects Evaluation Sheet** will take place on January 2, 2019 at the Institute of National Planning (INP) for the plan and preparation department in MPMAR. The objective of the workshop is to train the staff of MPMAR's preparation department on how to use the revised evaluation sheet for improving the process of investment project selection to be more effective and efficient. The workshop will contribute to Result 1.4: The existing monitoring and evaluation system at the MPMAR upgraded to ensure that all capital investments are linked to the SDS 2030 goals and objectives, their performance is monitored, and maintenance and operation budgets are allocated for them.
- 2) **An experts meeting on the SDS 2030 proposed M&E mechanism** will take place on January 3rd, 2019 at Sonesta Hotel. The objective of the workshop is to discuss the proposed M&E mechanism for SDS 2030 and how it is linked to the planning and monitoring of public investment projects. The workshop contributes to Result 1.5: Opportunities identified for coordination between the MPMAR and the MOF in the areas of budget formulation, planning, and execution, and tools recommended for such coordination.
- 3) **A training workshop on "Investment funds reallocation and transfers"** is scheduled to take place March 10 – April 22, 2019 for a total number of 651 public officials from MPMAR and governmental entities across all governorates of Egypt. The training will be implemented in six governorates;: Cairo, Alexandria, Aswan, Sohag, Ismailia and Assuit. The workshop will contribute to Result 1.4: The existing monitoring and evaluation system at the MOP upgraded to ensure that all capital investments are linked to the SDS 2030 goals and objectives, their performance is monitored, and maintenance and operation budgets are allocated for them.

MONITORING, EVALUATION AND LEARNING (MEL)

This quarter the MESR team revised the MEL Plan to incorporate comments from the USAID

program office USAID/SIMPLE. In collaboration with Objective One and Objective Two teams, The MEL team revised MEL indicators to reflect achievements at all levels of project objectives and intermediate results. MESR submitted the revised MEL on December 14, 2018 for USAID approval.

MEL Support Activities to MESR Teams

The MESR MEL team provides support across the project in the development of evaluation forms and event reports, as well as participating in partners' meetings as required. This quarter those activities included:

- From October 1 to November 12, the MEL team conducted field visits to the training workshops on “the utilization of the modified Investment Request Forms (IRFs)-Module I”; which was held in five governorates to train the staff of governmental entities on the new revised forms. During the field visit, the team observed the training and captured participants’ reflections on how they benefited from the workshop, and whether they still encountered problems in using the IRFs. Following the completion of all training rounds, the MEL team developed the IRFs training report and shared it with Objective One team.
- On November 13, 2018; The MEL Team participated in the development and delivery of the presentation provided to MPMAR Deputy Minister. The presentation included the results of the ISIPPM assessment that was conducted by the MEL team, in collaboration with Objective One Team.
- On November 15, 2018, the MEL team attended the Communications Strategy Workshop conducted by MESR at MPMAR. The MESR MEL Team finalized the report on the Communications Strategy Workshop.
- On November 18, 2018, the MEL Team participated in the Experts Meeting on the Status of the Regional Planning Offices (RPOs). The MEL team, in collaboration with Objective One Team, finalized the report of the meeting.
- The MEL Director also worked closely with both Objective teams to finalize the Year One Work Plan and ensure the integration of the project’s MEL needs through identification of milestones and final deliverables under the MESR contract.
- Collaborated with the Gender Specialist in developing the scope of work for conducting a gender assessment and participated in the meetings conducted with the Equal Opportunity Unit at MOF to assess their capacities and identify their needs.

Startup Deliverables Submitted to USAID

In collaboration with the DAI Home Office, the MESR team has developed and submitted contractual deliverables outlined below in Table (1).

Table (1): Contractual Deliverables and Reports Submitted to USAID

	Deliverables	Status
1	MESR Gender Analysis	Submitted and approved
2	MESR Sustainability Plan	Re-submitted based on USAID comments and waiting for approval
3	MESR Security plan	Submitted (no approval required)

4	MESR Branding Implementation and Marking Plans	Re-submitted and approved
5	MESR Year One Work Plan	Submitted and waiting for approval
6	MESR MEL Plan	Resubmitted incorporating comments received from USAID, and waiting for approval
7	MESR Staffing Plan	Re-submitted and waiting for approval
8	Bi-Weekly updates	Ongoing

Baseline

Based on the MESR MEL Plan, which is currently pending approval, a mapping of performance indicators was developed to identify which indicators require a baseline survey. Based on this mapping, the MESR team will conduct the baseline starting early February 2019.

Planned activities for the next quarter

- Complete the MESR baseline to finalize the targets of the MEL Plan.
- Provide introduction to MESR staff about the MEL Plan including: structure of the plan, measurement of indicators, targets, data source, and methodology of data collection.
- Continue reporting on project progress through the bi-weekly reports.
- Continue cooperation with the technical team in developing M&E tools for collecting data required for reporting on MESR indicators
- Complete the baseline assessment and finalize the report

GENDER

Gender and social inclusion are highly valued on the MESR project along with the respective counterparts, the MOF and MPMAR. Both counterparts have identified gender responsive budgeting as one of their highest priorities.

Gender Mainstreaming Activities

The long-term MESR Gender Specialist joined the team on October 2, 2018. During this quarter, she worked with both Objective teams by providing guidance to ensure that gender is integrated into planned activities as appropriate. She also met with Objective Leads to sensitize them with the MESR methodology and approach to gender issues and how this can be integrated in their planned activities according to the gender analysis developed by the project and approved by USAID.

On November 6th, 2018, the Gender Specialist, COP, MEL Director and Objective Two Team Lead, met with the Head of the Equal Opportunity Unit (EOU) at MOF along with her team. The purpose of the meeting was to assess the unit's capacity and understanding of gender integration and GRB. The meeting allowed the MESR team to understand current activities of the EOU, enabling the design of workplan activities aimed at building capacity in GRB. The meeting concluded with an agreement to assess the unit's current activities, needs and priorities. On December 6, 2018, another meeting was held with the EOU team to introduce the concept of the gender assessment that is planned to take place in February 2019 and to

discuss the details of the GRB training, the process and modality of its implementation. In addition, MESR clarified how the project can support the EOU.

MESR will nominate a short term expert to conduct a gender assessment for the MPMAR and MOF followed by a GRB Training. It is envisioned that the this STTA will take place in the month of February 2019. The project is preparing a list of meetings with the respective ministries for the gender assessment and in doing so, the Gender Specialist will conduct initial meetings with the respective units in the ministries to orient them about the upcoming gender assessment and finalize a schedule for the assessment.

Networking

On October 23, 2018, the MEL Director and Gender Specialist met with the GIZ Gender Program team to introduce MESR gender-related potential activities. They also discussed areas for possible future coordination and exchanged views and possible resources regarding gender equality and women empowerment projects in Egypt.

Planned activities for the next quarter

- Hold a gender training session for the MESR project team to introduce and reinforce gender integration and mainstreaming and share best practices in gender mainstreaming in the design phase of project activities.
- Conduct introductory meeting with MPMAR Equal Opportunity Unit to develop timeline for gender assessment in February 2019.
- Field international gender expert to conduct gender assessment in both MOF and MPMAR in February 2019.
- In collaboration with Objective Two, develop SOW for gender responsive budgeting training that will be provided to relevant staff in both MPMAR and MOF.
- Arrange and conduct a meeting with the National Council for Women (NCW) to introduce MESR and identify areas of collaboration as planned in the MESR Gender Analysis approved by USAID.

COMMUNICATION UNIT

MESR Internal Communication

On December 19, 2018, MESR received USAID approval on the Branding Implementation and Marking Plan that was resubmitted on September 25, incorporating the comments received from USAID DOC office.

Visibility Products

During this quarter, the communication team enhanced the visibility and outreach of project deliverables achieved by MESR technical teams., and coordinated with the USAID DOC office for branding approval process. Business cards for MESR staff were designed by the project and approved by the USAID DOC office. All visibility materials developed by MESR are prepared in strict conformance with the USAID-approved Branding Implementation and Marking Plan.

The MESR communication unit developed the project's visibility kit of three generic English roll-up banners for MPMAR implemented activities. Another two specified roll-up English banners were developed for the CGE training model, conducted in collaboration with MPMAR and ESCWA. The unit also developed and received USAID DOC approval for a cover template to be used for training materials and Power Point presentations for MPMAR.

The MESR communication team also designed and received USAID approval for an info-pack to include a folder for holding MESR project materials and factsheets as needed. After obtaining USAID DOC approval, The Communication Manager developed the specifications for printing the info-pack, sent it out to vendors and received quotations.

Communication Support Activities to MESR Team

- Develop and update MESR Bi-weekly activities calendar and send to USAID.
- Provide necessary support regarding branding for all MESR implemented activities.
- Photography during MESR events to be added to MESR photos database.



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Planned activities for the next quarter

- Develop visibility materials for MOF including roll-up banners, Power Point Presentation and cover template and obtain USAID DOC approval.
- Design MESR factsheet in English and Arabic and obtain USAID DOC approval.
- Complete the procurement process for printing info-pack and MESR factsheet.



MESR Partners Strategic Communication

The long-term MESR Strategic Communication Advisor joined the team on November 11, 2018. At the same time the project mobilized a short-term Strategic Communications expert to support MPMAR with its Communication Strategy.

Development of MPMAR Communication Strategy

To support MPMAR in the development of its communication strategy, MESR provided technical assistance to the MPMAR Communication Unit. In November 2018, MESR Strategic Communication advisors conducted several meetings with MPMAR officials to assess their capacities, needs and expected roles and responsibilities from the communication unit.

On November 15, 2018, MESR conducted a one day workshop for MPMAR covering the following topics:

- Branding strategy
- Making consistent marketing strategy including logos, visuals and digital assets
- Promotion of MPMAR website for public.
- MPMAR strategy to GOE campaign
- Planning and budgeting process communications for SDGs 2030 promotion and engagement
- Promote MPMAR strategy to GOE
- Newsletter/magazine

Following the completion of the Strategic Communications STTA, MESR provided a draft communication strategy to the head of the Communication Unit at MPMAR.

This communication strategy outlines a communications agenda for the Ministry of Planning, focusing on building the capacity of the communications team to be able to work effectively within the ministry, strengthen internal communication, strengthen coordination across the GOE, and promote awareness of ministry technical initiatives to a wide range of audiences. The strategy is comprised of the following objectives: defining and kick starting the communications role; improving internal communications; establishing organizational branding and messaging; and promoting cross-cutting GOE communications initiatives. Each objective is accompanied by a set of tools and tactics.

Development of new website for MPMAR

As per the ministry's request to support the development of a new website, MESR assessed of the current MPMAR website and found a number of technical mistakes and shortcomings, poor interface, and insufficient representation of MPMAR's extending role. Two meetings were held at the ministry with the communication team, the IT team and representative from the Deputy Minister's office. Meetings resulted in identifying the outline of the new website, technical needs and the timeline. The timeline set the launching of the website by end of May 2019. MESR will not only support the development of the website, but also provide technical assistance on how to develop the content to better communicate MPMAR's message and achievements.

Supporting the outreach event and citizens training

MESR held several meetings with the Director of the Fiscal Transparency and Citizen Engagement Unit (FTCEU), some of which included the head of the MPMAR Communications Unit, to discuss the unit's new outreach project that aims at reaching community leaders in different governorates of Egypt and giving them the needed training on how to engage positively and solve local problems in communication with local administrations. The activity is expected to take place in four months, in which, the participating community leaders will identify a problem and work toward a solution.

Planned activities for the next quarter

- Meet with MPMAR communications head to review and finalize Communication Strategy.
- Present the Communication Strategy to the Minister or Deputy Minister for approval.
- A ministerial decree is to be issued with the Communication Unit's structure, role and branding.
- Complete approval process for MPMAR website.
- Define technical and content specs for the website and complete procurement process.
- Support MPMAR with the design of SDS 2030 communication campaign.

INFORMATION TECHNOLOGY

During the reporting period, the IT Director, in collaboration with the Operations Team, completed the procurement and installation of the office network and electricity cabling. The IT Director completed the installation and configuration of a new high-speed ADSL internet connection, configured the old connection as a backup connection, and procured and installed a heavy-duty MPF laser color printer. MESR installed an access control system has been to secure the office with a camera monitoring control system as well. A shipment of IT equipment was received from the home office and the IT Director initiated installation and configuration of new devices.

The IT Director attended meetings and provided technical support to MPMAR while upgrading Module One- "Plan Preparation" of the ISIPPM. MESR finalized an IRF training video for guiding the utilization of the Investment Forms.

Planned activities in next quarter

- Complete the installation and activation of the office's six telephone landlines.
- Complete the procurement, installation and configuration of the office telephone system.
- Procure additional laptops for newly hired staff members.
- Continue support to MPMAR while developing Module Two- "Transfers and Reallocations" of the ISIPPM.
- Hire a long-term IT Network Administrator.

OPERATIONS

During this reporting period, the MESR Office became fully operational with permanent office furniture, equipment, and appliances.

In November 2018, MESR obtained its Social and Income Tax file number, as well as the VAT Exemption letter. Currently the operations team are working on obtaining Work Permit Certificate for the COP and Objective Two Team Lead.

Additional changes were made to both the organizational chart and staffing plan, including addition of operational support positions, and an updated staffing plan was sent to USAID for approval on December 8, 2018. Pending USAID approval of the staffing plan, during the next quarter all open positions in the MESR organizational structure will be filled with highly qualified professionals.

MESR staff, supported by DAI home office, will conduct an annual review and update of the security plan to ensure applicability to the Egyptian operating context during the life of the project.

Planned activities in next quarter

- Continue recruitment process for positions under Objective One, Objective Two, Operations, Cross Cutting & IT.
- Working closely with USAID on the approval of the staffing plan for the newly added positions to the organizational chart.
- Process COP and Objective Two Lead work permits.

Annex (I) Number of Participants in the training of Investment Request Form

Location	Date	Male Attendees	Female Attendees	Actual No. Of Attendees	Planned No. Of Attendees
Cairo	10/10/2018	16	10	26	35
	10/11/2018	15	13	28	35
	10/140/2018	9	10	19	25
	10/15/2019	11	11	22	30
	10/25/2018	8	21	29	24
	Cairo Total		59	65	124
Ismailia	10/16/2018	13	9	22	25
	10/17/2018	16	7	23	30
	10/18/2018	8	13	21	30
	Ismailia Total	37	29	66	85
Alex	10/21/2018	17	12	29	25
	10/22/2018	7	9	16	30
	10/23/2018	24	11	35	50
	Alex Total	48	32	80	105
Luxor	10/28/2018	12	3	15	25
	10/29/2018	25	17	42	50
	Luxor Total	37	20	57	75
Assuit	10/31/2018	21	8	29	25
	11/11/2018	14	14	28	50
	Assuit Total	35	22	57	75
Grand Total		216	168	384	489

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