

# MACRO-ECONOMIC STABILIZATION AND REFORM PROJECT

## YEAR TWO QUARTER THREE REPORT

October 1, 2019 – December 31, 2019

# MACRO-ECONOMIC STABILIZATION AND REFORM PROJECT

## YEAR TWO QUARTER THREE REPORT

October 1, 2019 – December 31, 2019

<b>Contract Number:</b>	72026318C00002
<b>Project Start and End Dates:</b>	April 2, 2018 – April 1, 2023
<b>Submitted and Implemented by:</b>	DAI Global, LLC
<b>Date of Publication:</b>	January 30, 2020

### **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## CONTENTS

ACRONYMS	III
PROJECT OVERVIEW	I
EXECUTIVE SUMMARY	I
MESR PROJECT HIGHLIGHTS	4
SUMMARY OF PROGRESS	I
OBJECTIVE ONE: IMPROVED PUBLIC INVESTMENT PLANNING, IMPLEMENTATION, AND MONITORING TO ENHANCE THE PRODUCTIVITY OF PUBLIC CAPITAL ASSETS AND THE EFFICIENCY AND EFFECTIVENESS OF PUBLIC SERVICES	I
OBJECTIVE TWO: UPGRADED EFFECTIVENESS OF PUBLIC FINANCIAL MANAGEMENT TO IMPROVE FISCAL MANAGEMENT, BUDGETING, AND EXPENDITURE CONTROL, AND PROMOTE GREATER BUDGET EFFICIENCY, TRANSPARENCY, AND ACCOUNTABILITY	12
PERFORMANCE RESULTS AND INDICATORS PROGRESS (LOP)	25
CHALLENGES AND ADAPTIVE LEARNING	32
ANNEX : EXPENDITURES AND FINANCIAL REPORT	33

## ACRONYMS

AP	Assistance Plan
AWEF	Arab Women's Enterprise Fund
CAPMAS	Central Agency for Public Mobilization and Statistics
CBA	Cost Benefit Analysis
CEFRS	Center for Economic and Financial Research and Studies
CLA	Collaborating, Learning, and Adapting
CIS	Continuous Improvement System
COA	Chart of Accounts
COR	Contracting Officer's Representative
CSO	Civil Society Organizations
CSR	Corporate Social Responsibility
EO	Equal Opportunities (MOF Unit)
ETA	Egyptian Tax Authority
FTCE	Fiscal Transparency and Citizen Engagement Unit
EU	European Union
GFMIS	Government Financial Management Information System
GOE	Government of Egypt
ICT	Information and Communication Technology
IIA	International Internal Audit
IMF	International Monetary Fund
INP	Institute of National Planning
IRF	Investment Request Form
ISIPPM	Integrated System for Investment Plan Preparation and Monitoring
KPIs	Key Performance Indicators
LOE	Level of Effort
MESR	Macro-Economic Stabilization and Reform
MEU	Macro-Economic Unit
MFPU	Macro-Fiscal Policy Unit
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTRS	Medium Term Revenue Strategy
MOF	Ministry of Finance
MPED	Ministry of Planning and Economic Development
MSME	Micro, Small and Medium Enterprises
M&E	Monitoring and Evaluation
MEL	Monitoring, Evaluation, and Learning
NAT	National Academy for Training and Rehabilitation of Youth
NMI	National Management Institute
NTA	National Training Academy
OD	Organizational Development
OECD	Organization for Economic Cooperation and Development
PFM	Public Financial Management
PPP	Public-Private Partnership
RPO	Regional Planning Office
SPL	State Planning Law
STTA	Short-Term Technical Assistance
USAID	United States Agency for International Development
VAT	Value Added Tax

## PROJECT OVERVIEW

The USAID-funded Macro-Economic Stabilization and Reform (MESR) project is a five-year initiative beginning in April 2018 and ending in April 2023. USAID/Egypt designed the MESR project to support Government of Egypt (GOE) reform efforts included in the GOE's agreement with the International Monetary Fund (IMF). The reforms to be implemented through the IMF program are intended to address the macro-economic imbalances that negatively impact the ability of enterprises to grow and become more competitive. More specifically, the purpose of the MESR project is to support the GOE through two primary objectives:

**Objective One:** Improved Public Investment Planning, Implementation, and Monitoring to Enhance the Productivity of Public Capital Assets and the Efficiency and Effectiveness of Public Services; and

**Objective Two:** Upgraded Effectiveness of Public Financial Management to Improve Fiscal Management, Budgeting, and Expenditure Control, and Promote Greater Budget Efficiency, Transparency, and Accountability.

Primary counterparts to the MESR project are the Ministry of Planning and Economic Development (MPED) and the Ministry of Finance (MOF). The project is engaging with other stakeholders and counterparts, including Parliament, business associations, civil society organizations (CSO) and other private sector representatives, as well as other GOE agencies and international organizations working in activities related to macro-economic stabilization. The MESR project developed its organization to best address each of the primary objectives. MESR's Work Plan was developed to recognize the fact that each objective's activities must be well-coordinated and flexible, leveraging one another to gain momentum for reforms and maximizing the potential for success and sustainability.

## EXECUTIVE SUMMARY

In Year Two (Y2) Quarter Three (Q3), the USAID-funded MESR project continued to make significant strides to improve public investment planning, implementation, and monitoring and increased effectiveness of public financial management. In Q3, MESR worked with counterparts including MPED, MOF, related government officials, Parliamentarians, the private sector, and Egyptian citizens.

In Q3, MESR took substantial steps toward improving the GOE's budgeting practices, with technical assistance that increased GOE efficiency, transparency, and accountability. Of particular note is MESR's work with both MPED and MOF officials to support efforts to link the Integrated System for Investment Plan Preparation and Monitoring (ISIPPM) and the Government Financial Management Information System (GFMIS). Once these systems are integrated, the GOE will be able to include investment projects from the ISIPPM within the government accounting system (GFMIS). As investment projects represent a significant portion of the budget, their inclusion will allow the GOE to better allocate and track expenses, and account for ongoing costs during the yearly budget cycle. MESR's work to not only integrate these systems, but to obtain strong MPED and MOF buy-in, including at the ministerial level (see stakeholder highlight on page 8), marks a significant achievement for a government whose past projects were not subject to this degree of oversight and control.

MESR also coordinated closely with both the MPED and MOF to establish a process mechanism for efficiently addressing requests for public investment reallocations and transfers for both the GFMIS and ISIPPM. After the GOE approves the investment budget, there is typically substantial movement of approved funds to other projects and initiatives. By establishing a clear process mechanism for this movement, MESR ensured that these decisions would be done more transparently, decreasing the risk of corruption or mismanagement. As a result, the process is now subject to increased accountability, with internal audit units, also supported by MESR, able to audit for checks and balances. MESR also continued to provide technical assistance on fiscal risk, which will further support the GOE to better mitigate its reliance on transfers and reallocations.

In addition to supporting linkage of the ISIPPM and the GFMIS, MESR continued to support both systems independently as well. MESR conducted an IT retreat to analyze ISIPPM's structure and recommend next steps for automation improvement, including with an eye toward GFMIS integration. To further improve the quality of data entry for the ISIPPM, MESR strengthened the planning capacity of governorate planning and monitoring departments across Egypt as well as supported revision of public investment projects' names. MESR also provided examples of international best practice to MOF officials managing the GOE's GFMIS.

MESR continued to strengthen the GOE's shift toward program-based budgeting (PBB), which involves allocating resources to investments and programs rather than basing budgets on static line items. In Q3, MESR provided extensive technical assistance to Parliament, the MOF, and MPED. This included providing training to over 2000 government budget unit officials across Egypt to support their shift to more responsive and accountable budgeting. To build counterpart capacity and ensure sustainability, MESR first provided training to MOF and MPED officials, who then used the knowledge and skills acquired to train over 2000 government officials over a four-day period in December 2019. This workshop was organized, developed, and delivered within three weeks upon request from the MOF and MPED, in order to be conducted prior to the start of the new budget cycle in mid-December.

To further support GOE's institutionalization of PBB, MESR worked with the MOF to draft a PBB manual, which is now being translated into Arabic. MESR also provided other technical assistance as needed such as an organizational development workshop for MOF and MPED officials to support the development and capacity of the newly established PBB Units in both ministries. MESR facilitated the establishment of a joint taskforce with representatives from both units, which will further strengthen the units' development as well as promote coordination between the MPED and MOF.

MESR continued its efforts to strengthen government oversight, monitoring, and accountability. This included supporting the MPED with launch of the Sharek 2030 application, which aims to enable citizens to provide input on public investment needs as well as feedback on current public investments. The Sharek application is the first of its kind in Egypt to empower citizens to provide informed oversight and feedback on public investment. In other efforts to promote citizen engagement and outreach, MESR also provided technical assistance on the development, design, and communication of the Public Investment Citizen Plans. MESR also worked with the MPED to develop a roadmap for a robust monitoring system and proposed key performance indicators to more effectively and responsively monitor public investment projects. In addition, MESR provided MPED assistance in developing field monitoring forms for public investment project implementation. This will transition to a tablet that integrates with the ISIPPM.

To further institutionalize government transparency and accountability, MESR supported the MOF Fiscal Transparency and Citizen Engagement Unit in initiatives aimed at increasing budget transparency through publication of budget documents, participatory budget initiatives, and public awareness campaigns. Additionally, MESR continued its support to the MPED to further develop its interactive website as well as the Egypt's Vision 2030 website to ensure citizen engagement and transparency.

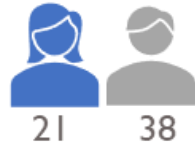
This quarter, MESR supported the GOE in promoting the use of public-private partnerships as a viable alternative financing mechanism, with workshops aimed at building the capacity of staff from the recently-established Feasibility Studies and Partnerships Unit at the MPED. MESR also continued to improve tax administration, especially through continued assistance to the Egyptian Tax Authority as well as the MOF Macro-Fiscal Policy Unit. In Q3, MESR finalized a technical assistance plan that reflects ETA priorities concerning tax administration and tax policy.

Finally, MESR continued to strengthen collaboration among GOE entities. Entities such as the MPED and MOF have historically had little interaction or established coordination. MESR's efforts increased collaboration between the MOF and MPED, as seen through joint PBB training and organizational development assistance provided to MOF and MPED officials. The ongoing linkage of the ISIPPM and GFMIS is another notable example of improved coordination.

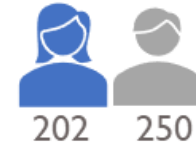
## MESR PROJECT HIGHLIGHTS



**1.8%**  
domestic  
revenue  
mobilized



**59**  
training of trainers' trained to  
sustain capital investment  
appraisal and PBB strengthening



**452**  
people with improved  
capital investment  
knowledge



**75%**  
GOE documented  
processes have  
automation support



**600**  
key GOE entities  
using a unified M&E  
database



**1**  
MOF and MPMAR  
communication  
strategy



**3.44%**  
improvement in tax  
administration and  
compliance



**2666**  
days of fiscal policy  
and administration  
assistance by MESR



**243**  
people with improved  
fiscal policy and  
administration knowledge



**1**  
Manual created to  
improve macro-  
economic practices



**1**  
revised Egypt's Vision  
2030 plan, integrating  
sustainable development  
goals



**9074**  
investment projects  
entered into improved  
ISIPPM system



## SUMMARY OF PROGRESS

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

In the reporting quarter, MESR conducted several activities under Objective One that improved public investment planning, implementation, and monitoring in the GOE. The activities included, but were not limited to:

- providing training on planning concepts to officials from the Planning and Monitoring departments across Egyptian governorates;
- supporting the Ministry of Planning and Economic Development (MPED) in the process of reviewing and enhancing the National Accounts system;
- further developing and obtaining MPED agreement on the final structure and initial design of MPED's website;
- supporting public investment process flows through continued improvement of the ISIPPM.
- conducting several workshops with MPED and selected officials from key spending agencies (GOE entities) to support revising public investment project names to improve monitoring and evaluation of projects;
- conducting an experts group meeting to provide MPED with technical advice and support with the launch of the Sharek 2030 application which aims to engage citizens to provide feedback on their public investment needs as well as on current public investments implemented or in progress;
- providing technical assistance on the development, design, and communication of the Public Investment Citizen Plans to ensure effective outreach to the public;
- conducting an IT retreat attended by MPED's Deputy Minister, and the IT teams in both MESR and MPED to analyze the current ISIPPM structure and agree on next steps for its enhancement and integration with the GFMIS;
- closely coordinating efforts between MPED and MOF in agreeing to a process mechanism for handling requests for reallocations and transfers of public investments from GOE entities on both the ISIPPM and GFMIS;
- supporting the training on the developed program-based budgeting (PBB) forms developed by MPED and MOF;
- providing MPED with alternatives that can be used to ensure proper representation of planning functions on the local level as opposed to the current Regional Planning Offices, in addition to developing assessment tools that can be used to assess the capacities of current staff in this sector in MPED;
- developing a roadmap for a robust monitoring system and proposed key performance indicators (KPIs) that can be used by MPED to monitor public investment projects; and
- providing technical and IT assistance to develop field monitoring forms that can be used by MPED to monitor public investment project implementation.

These and other activities performed by Objective One during the reporting quarter are described below.

## **RESULT 1.1: CAPITAL INVESTMENT APPRAISAL AND DECISION SUPPORT MECHANISMS AT THE MPED AND ACROSS ALL GOVERNMENT ENTITIES STRENGTHENED, WITH STANDARDIZED COST AND BENEFIT VALUATION METHODS**

### **ACTIVITY 1.1.1: REVIEW THE CAPITAL INVESTMENT APPRAISAL METHODOLOGY.**

Contingent upon finalizing the needed contractual arrangements to start cooperating with the Institute of National Planning (INP), MESR will work with the INP to review a number of outstanding capital investment projects and incorporate lessons learned from this activity into the development of a standardized appraisal methodology. The INP is a principal focus for the project's '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. MESR aims to conduct this review in Year Three.

### **ACTIVITY 1.1.2: DEVELOP A TRAINING COURSE ON COST-BENEFIT ANALYSIS (CBA).**

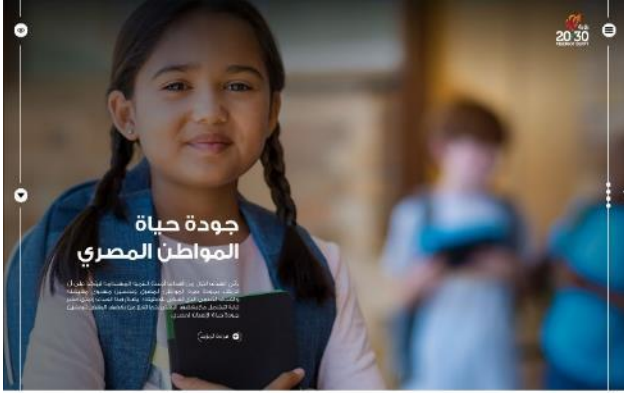
During Q2, the MESR team successfully reached an agreement with the INP regarding development of a CBA training to be implemented for selected participants from the MPED, INP, and across priority line ministries. Accordingly, a technical and financial proposal were developed, and all contract-related procedures were processed. Given the nature of INP as a quasi-governmental institution, finalization of the contract is currently pending USAID approval. Once approval has been received, MESR will work with the INP in developing the CBA training material in Q4.

### **ACTIVITY 1.1.3: STRENGTHEN DECISION-SUPPORT MECHANISMS IN MPED.**

During this reporting period, MESR received a request from MPED to provide technical assistance in the process of enhancing the National Accounts (NA). In the future, the improvement plan will also integrate the data of the recent economic census which was also supported by MESR. The existing methodology used for calculating different variables such as the gross domestic product and public and private investments is not accurate and results in various errors. Accordingly, the first phase of supporting the enhancement of the NA process will include documenting and assessing the NA production process and workflows, outlining corrective measures and needed capacity building, validating it in an experts meeting, and developing a sequenced action plan of NA improvement. MESR hired a senior level expert to work on the improvement of NA. Implementation is expected to take place in Q4.

### **ACTIVITY 1.1.4: DEVELOP CROSS-SECTOR, SPATIAL, AND GENDER ANALYSES.**

During Q3, MESR continued its support in developing MPED's new interactive website, which aims at providing macroeconomic data with enhanced quality and a positive user experience. The new website promotes data transparency through an advanced platform of data analytics tools used to assess and present macroeconomic information. The contracted company worked closely with MESR team and MPED's Communication team to identify content style and gaps to be addressed in the new website. Based on this, MESR developed and submitted initial designs for the homepage and an initial System Requirements Specifications (SRS) document to MPED for feedback and approval. The SRS document includes a follow up system to facilitate the collection, review, and editing of the MPED website. MESR held several meetings with the MPED and contracted company to communicate this feedback.



Given the recent change in MPED's mandate<sup>1</sup>, the company is currently working on amending the proposed designs and SRS to reflect these changes and is also developing the design of the internal pages accordingly. Most of the website implementation will be conducted in Q4, based on MPED's request.



أجندة التنمية المستدامة  
رؤية مصر ٢٠٣٠  
الهدف من رؤية مصر ٢٠٣٠ هو تحقيق التنمية المستدامة التي تلبي احتياجاتنا الحالية دون التضحية بالقدرة على تلبية احتياجات الأجيال القادمة. وتتمثل أهدافنا في تحقيق التنمية الاقتصادية والاجتماعية والبيئية، وتعزيز العدالة والشمولية، وبناء مجتمعات قوية ومستدامة.

During this quarter, MESR worked closely with MPED's Sustainable Development Unit (SDU) to finalize the Egypt's Vision 2030 sitemap, develop website content guidelines, and select a writer for the website content. MESR worked with the marketing agency to develop a marketing plan for Egypt's Vision 2030 roadshows that will be launched in the next quarter in eight of Egypt's governorates.

الأهداف والغايات الوطنية



In addition to the above, MESR also strengthened participatory planning and outreach on public investment projects through support provided to the Assistant Minister for Monitoring in the launch of the newly developed Sharek 2030 application. MESR supported MPED in conducting a participatory expert group meeting, where renowned experts from MPED, INP, CAPMAS, and others provided feedback and recommendations on the application to ensure successful outreach and launch to the public. The application was later officially launched in the Cairo ICT event held in December. MESR team is currently assessing integrating the Sharek mobile application into the MPED new website, to allow for more transparency and interaction with citizens.



Moreover, MESR in Q3 also supported participatory planning initiatives in MPED by providing in-house technical assistance in the review and design of the Citizen Investment Plans content developed by MPED for all governorates. Citizen Investment Plans are important tools to engage the community in public investment management processes. Translating technical annual public investment plans into a language that is accessible to a wider audience of ordinary people is a key challenge. MESR advised the MPED on what information to include in Citizen Plans, to engage people from different areas in the country on "what's in it for them" in terms of public investments. MESR is reviewing all 27 citizen budgets, one for each governorate, to ensure that the information is concise, easy to understand, and focused on the key sectors that matter most to citizens; including education, health, and basic infrastructure. Gender mainstreaming and emphasis on visualizations to articulate key information for those who are



<sup>1</sup> According to the recent cabinet shuffle that took place in December 2019, the MPED's mandate changed, moving its monitoring and administrative reform component to the Prime Minister's responsibilities.



← Figure 1: To the left, a screengrab of the revised Egypt's Vision 2030 website

illiterate is considered a key area of support by MESR. Once developed, MESR will provide technical assistance on the best communication channels that should be used to ensure wider outreach of these plans. Support will continue in Q4.

## **RESULT 1.2: SUITABLE ALTERNATIVE FINANCING SCHEMES DEVELOPED**

### **ACTIVITY 1.2.1: ANALYZE AND ASSESS DIFFERENT FORMS OF ALTERNATIVE FINANCING SCHEMES.**

During Q3, MESR collaborated with the INP in developing the State of Development Report (SDR) 2019. Although MESR has initially supported the SDR with the aim of enhancing MPED’s decision-making capacities (Activity 1.1.3), it was agreed with the INP that the focus of this report would be “alternative financing mechanism in Egypt”. Hence, MESR team contributed with three white papers including:

1. The concepts of alternative finance and international best practices,
2. Prospects of public-private partnerships in Egypt, and
3. The role of Official Development Assistance (ODA) in Egypt.

In addition, MESR team is assessing launching a conference on alternative financing schemes in Egypt during Q4. The aim of the conference would be to shed light on successful international experiences in this area and the importance of leveraging on alternative financing opportunities. It would also to bring together some of Egypt’s most renowned experts in this field to engage in panel discussions on the most relevant forms of alternative financing that are potentially applicable to the Egyptian context.

### **ACTIVITY 1.2.2: SUPPORT INSTITUTIONALIZATION OF THE PARTNERSHIP AND FEASIBILITY STUDIES UNIT IN MPED.**

Apart from finalizing the eight-day Feasibility Studies and Financial Modeling training that was provided to members of the Feasibility Studies and Partnership Unit (FSPU) starting September 24 through October 13, no other activities have been implemented this quarter with the newly established Unit in MPED. This is mainly as a result of MPED’s new Unit’s reluctance to proceed with the jointly developed plan of support in the meantime. MESR has continuously expressed willingness to provide organizational development support to set up the new unit, in addition to technical assistance in the form of contracting an STTA for PPP and conducting a training needs assessment to determine the capacities that need to be developed. MESR is hoping to proceed with this activity in Q4.

### **ACTIVITY 1.2.3: SUPPORT IMPLEMENTATION OF THE SOVEREIGN WEALTH FUND (SWF).**

This activity was completed in Q2 with the technical assistance provided to develop the Request for Bids for the SWF.

## **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**

### ACTIVITY 1.3.1: DESIGN AND DEVELOP A CONTINUOUS IMPROVEMENT SYSTEM (CIS).

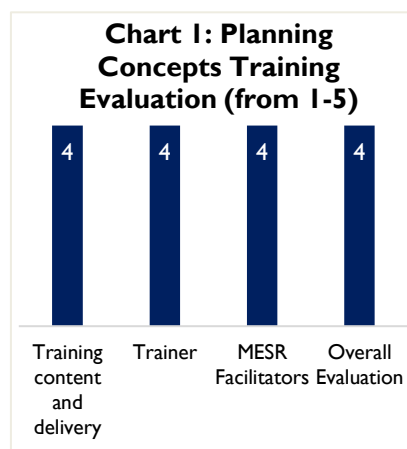
To further improve the quality of data entry for the ISIPPM, MESR in Q3 completed a “Planning Concepts” training to support building the planning capacities of employees of the Planning and Monitoring departments and the Financial departments in the governorate offices. This intervention aimed to ensure that investment projects proposed by local administration and uploaded on the ISIPPM in the fiscal year 2020/2021 are based on real need, are in line with the five programs of local development, and more importantly that the proposed projects constitute investment projects and not operations or investment items. The training was held in six rounds covering 27 governorates and ended on November 13, 2019. MESR team received a statement of gratitude from MPED at the end of the training. The feedback of participants on the training is reflected in Chart One above. Dr. Amal Zakaria, MPED Regional Planning Sector head stated, “the trainees are highly satisfying with the training, which improved their efficiency in developing the public investment plan”.

In addition to the Planning Concepts Training, MESR in Q3 continued to support the revision of public investment projects’ names. In November, MESR provided a refreshment training to members of the Human Development Sector in MPED, based on their request, on the developed guidelines for revising and editing investment project names. This refreshment training will help the different task forces in MPED to select projects in a more efficient manner for the upcoming annual investment plan 2020/2021. Moreover, MESR conducted two training workshops supporting the revision of investment project names. Each of the workshops was attended by different line ministries and spending agencies and trained these agencies currently uploading their investment projects onto the ISIPPM on the proper guidelines to ensure the investment project names reflect the project’s purpose, function, and geographical location. With the key spending agencies’ completion of this training, the number of misnamed projects uploaded on the ISIPPM is expected to decrease considerably, increasing the efficiency of the investment project selection process in MPED.

As another aspect of MESR’s continuous efforts to enhance the public investment management process, MESR is working to develop a process flow map that outlines the current status of public investment management as well as implemented and planned interventions. An STTA is being contracted to assist in the process mapping. This activity will likely be implemented in Q4.



Figure 2: Planning Concepts training



### ACTIVITY 1.3.2: PREPARE AN AUTOMATION STRATEGY FOR PUBLIC INVESTMENT MANAGEMENT.

During Q3, MESR continued its support to the automation of the public investment management system through the ISIPPM. The current ISIPPM was initially designed and developed by MPED's IT team. The MESR IT team continued to improve the current automated public investment management system (ISIPPM) and ensure more robust functionality. In Q3, MESR worked on ISIPPM system stabilization and documentation. MESR added several enhancement features to the reallocation and transfers module.

Limited available institutional knowledge of how the current system was built initially constrained MESR's capacity to improve the system dramatically. MESR's technical support focused on stabilizing the current system, debugging it to render it operational, and developing workarounds to resolve pressing issues. To address these constraints, especially in terms of a lack of database documentation, limited human resources, and lack of advanced technologies in MPED's IT department, MESR recommended conducting an IT retreat with MPED's IT department and Deputy Minister's Office. The retreat represented an important forum for interacting closely with MPED's IT team to align and consolidate MESR's technical assistance to the Ministry's IT department and Plan Preparation Sector and resolve MPED's concerns on the new system development. The retreat focused on MESR's recent efforts in publishing the ISIPPM online and in linking the ISIPPM to the Ministry of Finance's GFMIS.

In addition to its support to the ISIPPM, MESR's IT team continued to support the MPED based on their identified needs. For instance, in December, the IT team supported MPED in operationalizing smart screens that provide MPED visitors and employees with important information regarding the Ministry's mandate, working areas, and accomplishments. These screens increase MPED transparency and improve interaction between citizens and MPED.

### ACTIVITY 1.3.3: ASSESSING THE CAPACITY OF THE REGIONAL PLANNING OFFICES (RPOS).

MESR supports the MPED to implement institutional reforms within the regional planning sector including through institutional and capacity development of proposed local planning offices. In Q2, MESR assessed MPED's existing regional planning offices and determined that these entities did not meet Egypt's local investment planning needs and lacked sufficient capacity. Accordingly, in Q3 MESR proposed an institutional structure and job description for newly proposed Local Planning Offices, which will better ensure that investment projects at the local level are more efficiently planned, transparently monitored, and effectively implemented. As part of this support, MESR prepared an assessment manual to be used by the Human Resources Department in MPED to assess potential workers in the local planning offices. In Q4, MESR will work with MPED to launch the assessment, which will inform future MESR assistance to identify skilled workers and further build their capacity for participatory public investment planning.

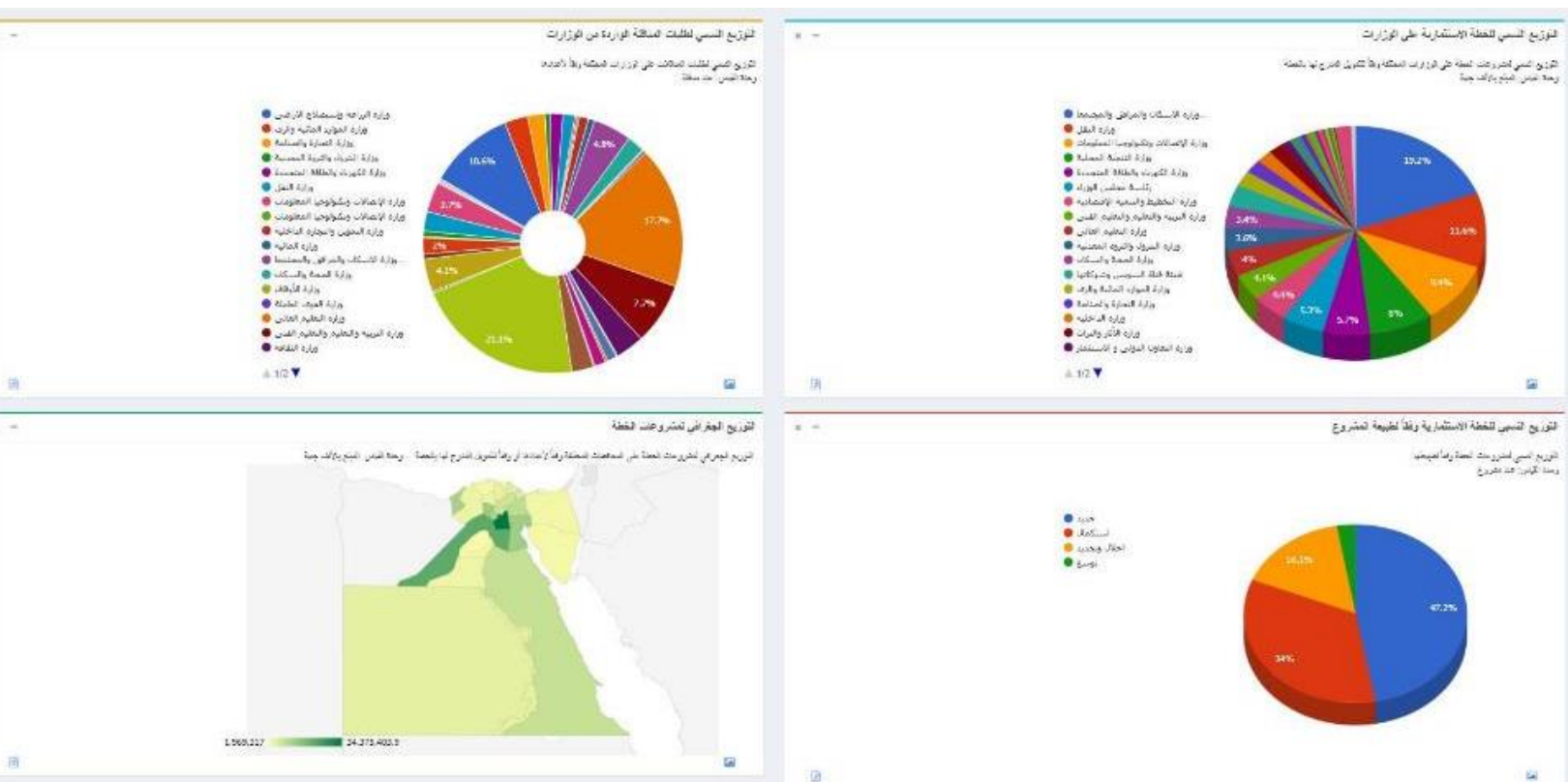
**RESULT 1.4: THE EXISTING MONITORING AND EVALUATION SYSTEM AT THE MPED UPGRADED TO ENSURE THAT ALL CAPITAL INVESTMENTS ARE LINKED TO THE EGYPT'S VISION 2030 GOALS AND OBJECTIVES, THEIR PERFORMANCE IS MONITORED, AND MAINTENANCE AND OPERATION BUDGETS ARE ALLOCATED FOR THEM.**

**ACTIVITY 1.4.1: REVIEW AND REVISE THE CURRENT MONITORING AND EVALUATION SYSTEM.**

In October, MESR team supported selected officials from both MPED, MOF, and the Parliament’s Planning and Budget Committee to attend the National Evaluations Capacities Conference from October 20-24.

In addition, MESR continued to support the MPED in better monitoring its capital investment projects to evaluate their contribution to Egypt’s Vision 2030 goals. MESR proposed the key aspects needed to design an M&E system to monitor the progress of public investment projects, in addition to key performance indicators (KPIs) that can be used by MPED to monitor progress and quality of investment project implementation. Moreover, MESR provided technical assistance in the development of field monitoring forms that can be used by MPED and the National Investment Bank task forces. In order to facilitate field monitoring, MESR also procured several tablets that provide GPS location features to provide data in real time, better ensuring information transparency and accuracy. The proposed field monitoring forms are currently being developed by MESR’s IT team into a data entry system that can be uploaded and used on the procured tablets, and which directly feeds field monitoring information to the ISIPPM database. This will likely take place during Q4. In Q4, MESR will also work on developing the monitoring component of the ISIPPM, which are to be filled by GOE entities responsible for implementing public investment projects. To ensure that public investment data uploaded by GOE entities on the ISIPPM assists decision makers in using data produced from the ISIPPM, MESR team created and is working on improving a dashboard. This dashboard (see screenshot below) will display main statistics and information needed by policy makers to make evidenced-based decisions on public investment projects.

Figure 3: Screenshot of the public investment dashboard





## **RESULT 1.5: COORDINATION BETWEEN MOF AND MPED**

### **ACTIVITY 1.5.1: FACILITATE COORDINATED PROJECT APPRAISAL AND PLANNING.**

During the reporting period, MESR team received a request from MPED, MOF, and the Parliament to run a training on a new form of PBB. MESR presented technical input into the newly proposed PBB form, in addition to a TOT soft skills training to MPED and MOF employees. The soft skills training was followed by a training on indirect cost allocation and KPIs preparation. The trained trainers were able to successfully roll out the training to over 2000 officials on the PBB form to all GOE public sub entities from November 8-11, 2019. More details are reflected under Objective Two activities, which is the main owner of the activity.

Moreover, to enhance the capacities of the newly established PBB Units in both MPED and MOF (according to Prime Minister Decree 1167/2019), on December 18, MESR conducted a joint workshop for officials from both units to work together on drafting budget process flows for activities between and within the two units. This is discussed further under Activity 2.2.1.

MESR continued its work linking GFMIS to the ISIPPM. The linkage of GFMIS and ISIPPM will improve efficiency over monitoring expenditures of public investment projects. MESR received a formal request from Deputy Minister of Planning and Economic Development to take part in the GFMIS-ISIPPM integration committee. The two ministries, with the support of MESR, agreed on a process flow for handling reallocations and transfers requests between them. The team prepared a formal document and letter that was sent by HE Minister of Planning and Economic Development to HE Minister of Finance about using a new hexadecimal coding system in linking the two systems.

## **Stakeholder highlights: Improving inter-ministerial coordination through GFMIS-ISIPPM linkage**

As part of extensive MESR efforts to link GFMIS with the ISIPPM, the Minister of Finance sent this letter to the Minister of Planning and Economic Development, showcasing their improved coordination and commitment to MESR-supported economic reforms:

*“I would like to express my sincere thanks and appreciation for the efforts made to develop the process of preparing and monitoring the investment plan, maximizing the return on investment and increasing its effectiveness.*

*As part of the efforts to achieve integration between the Integrated System for Investment Plan Preparation and Monitoring in your esteemed ministry and the GFMIS system in MOF in order to increase the efficiency of resource use and ensure the provision of accurate and real-time data on the investment plan, achieve financial discipline, and raise the efficiency and effectiveness of implementing procedures, several meetings were held between representatives of the Ministry of Finance and your esteemed ministry and E-Finance to discuss the integration mechanism between the two systems.”*

- Minister of Finance, Dr. Mohamed Moeit (shown above)

The letter also included the MOF's cooperation on next steps for better integrating the two systems, as proposed by MESR, highlighting drastic improvement in coordination between the two ministries, which historically have had little cooperation.



With regards to communication, the MOF and MPED are working on an initiative to promote public participation in planning and budgeting in coordination with senior officials in Alexandria Governorate. MESR will support an awareness campaign on citizen budgets and the role of media in this regard. The campaign will target all segments including civil society, political parties, private sectors, local authorities, and citizens.

#### ACTIVITY 1.5.2: COOPERATE WITH MPED TO UPDATE EGYPT'S VISION 2030

MESR continued its support in Q3 to update Egypt's Vision 2030 in both technical and communication aspects. On October 1-3, 2019, MESR, in collaboration with the MPED SDU, organized a workshop with the academic and position papers' experts on the updated Vision 2030. During the workshop, the compilation experts received feedback on the first draft of the Vision. Each economic, social, environmental, and governance expert presented his/her work to other academic and position papers' experts. Additionally, the digitalization expert presented the related targets and received constructive feedback from the participants.

The experts incorporated the workshop's feedback into the draft Vision and finalized a second draft. Additionally, the experts drafted definitions for each goal and target. Consequently, MESR organized a retreat on November 28 through December 2, 2019 on revising the draft Vision. The retreat was attended by MPED Deputy Minister, the SDU head, and the compilation experts. During the retreat, the experts revised the definitions of the goals and targets. Moreover, the SDU head revised the M&E component. During the retreat, the experts agreed to revise the Vision's Executive Summary in a separate workshop.

Furthermore, the retreat identified the need to hire a political expert to revise the politically sensitive goals, namely Goals 7 and 8. Goal 8 incorporates the issues of promoting Egypt's stature at the regional and international levels. Goal 7 is focused on issues related to cyber security, securing the borders, and fighting terrorism and organized crime, as well as ensuring political stability. The two goals were mainly drafted based on the inputs of the Ministry of Foreign Affairs and other governmental entities. MESR within its support to the SDU, hired a political expert who finalized the review of the goals.

During Q3, MESR held a number of coordination meetings with the SDU head and MPED Deputy Minister to discuss the updating process's progress.

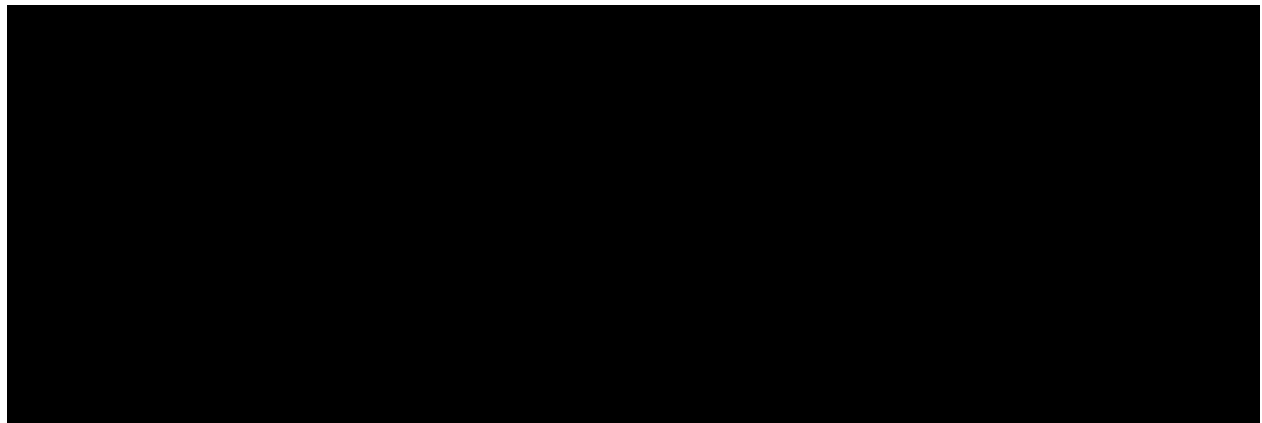


Figure 4: Figure 5: MESR Egypt's Vision 2030 retreat. November 28 – December 2, 2019

## **PLANNED ACTIVITIES UNDER OBJECTIVE ONE FOR THE NEXT QUARTER**

Illustrative examples of technical assistance activities planned for the following quarter by Objective One are provided below.

### **RESULT 1.1: CAPITAL INVESTMENT APPRAISAL AND DECISION SUPPORT MECHANISMS AT THE MPED AND ACROSS ALL GOVERNMENT ENTITIES STRENGTHENED, WITH STANDARDIZED COST AND BENEFIT VALUATION METHODS**

- Initiate development of CBA training material.
- Provide support to the enhancement of MPED's National Accounts System.
- Finalize most of the MPED website development phase, in close coordination with MPED.
- Initiate support to the development of a Governorate Competitiveness Index by MPED.

### **RESULT 1.2: SUITABLE ALTERNATIVE FINANCING SCHEMES DEVELOPED**

- Finalize MESR's technical contribution to the SDR 2019 developed in cooperation with the INP.
- Utilize international STTA to provide best practices from international experiences in alternative financing schemes and relevance of these schemes to the Egyptian context.
- Hold a one-day conference on alternative financing schemes.
- Resume support to the MPED FSPU by providing a technical proposal on institutionalizing and activating the Unit's role in the current public investment management process implemented via the ISIPPM. The aim is to provide the unit with a pipeline of projects with PPP potential originating from the ISIPPM.

### **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**

- Continue improving the current ISIPPM and continue to develop the new system's architecture.
- Draft the public investment management automation strategy and process flows document.
- Implement a TOT for MPED employees to create a pool of trainers that can later support with roll out of ISIPPM-related trainings.

### **RESULT 1.4: THE EXISTING MONITORING AND EVALUATION SYSTEM AT THE MPED UPGRADED TO ENSURE THAT ALL CAPITAL INVESTMENTS ARE LINKED TO THE EGYPT'S VISION 2030 GOALS AND OBJECTIVES, THEIR PERFORMANCE IS MONITORED, AND MAINTENANCE AND OPERATION BUDGETS ARE ALLOCATED FOR THEM**

- Finalize investment projects monitoring screens on the ISIPPM.
- Hand over the procured tablets to the MPED that are to be used for investment projects field monitoring, after developing and installing the data entry program that will be used to input field-related feedback on investment project progress.

### **RESULT 1.5: COORDINATION BETWEEN MOF AND MPED**

- In collaboration with the SDU, MESR will organize a two-day workshop discussing the numerical

targets developed by the compilation experts. The workshop will discuss the targets with other experts and government officials.

- MESR will hire an Arabic editor to proofread the Vision.
- A number of consultation workshops will be held with different stakeholders to discuss the technical aspects of the Vision.

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

In the reporting period MESR conducted a number of activities under Objective Two that improved public financial management in the GOE. The activities included, but were not limited to:

- providing examples of international best practice to MOF officials responsible for managing the GOE's Government Financial Management Information System (GFMIS), which is used to record government revenues and expenditures and provide management information;
- with other MESR representatives, supporting efforts by the MOF and MPED to integrate the ISIPPM and GFMIS;
- training MOF and MPED officials on KPIs and allocation of indirect costs, which the officials applied to train 2000+ government officials;
- supporting the MOF in efforts to draft a PBB Manual (a draft of which was completed in English and is now being translated into Arabic);
- supporting the MOF Fiscal Transparency and Citizen Engagement Unit in initiatives aimed at increasing budget transparency through publication of budget documents, participatory budget initiatives, and public awareness campaigns;
- developing criteria to be used by the MOF Internal Audit Unit to be used for the possible acquisition of computerized internal audit management software;
- supporting the Egyptian Tax Authority by providing technical assistance on priority tasks described in the agreed technical assistance plan;
- supporting the GOE in its efforts to develop and promote the use of public-private partnerships as a viable alternative financing mechanism, which included MESR workshops aimed at building the capacity of staff from the recently-established Feasibility Studies and Partnerships Unit at the MPED; and
- promoting collaboration among GOE entities, including but not limited to collaboration between the MOF and MPED, through multiple project technical activities, including but not limited to joint PBB training and organizational development assistance provided to MOF and MPED officials.

These and other activities performed by Objective Two during the reporting period are described below.

### **RESULT 2.1: IMPROVED CASH MANAGEMENT TO SUPPORT FISCAL CONSOLIDATION**

In late 2018 MESR initiated technical assistance activities aimed at improving cash management to support fiscal consolidation. Initial assistance was provided by a short-term GFMIS Advisor, who conducted an initial review of Egypt's GFMIS. Subsequent assistance has focused on supporting the MOF's efforts to enhance the scope and effectiveness of the GFMIS through meetings with GFMIS experts. GFMIS support MESR provided during the reporting quarter is described below.

#### **ACTIVITY 2.1.1: REVIEW THE GFMIS AND SUPPORT GFMIS IMPLEMENTATION.**

Recognizing the critical role GFMIS plays in the budget system and in PBB implementation, MOF GFMIS Project Manager Mr. Waleed Abdallah, who leads the GFMIS implementation at the MOF, was invited to

participate in the budget study tour to the U.S. that was held in September 2019. When organizing the study tour MESR ensured GFMIS-related topics were included in budget presentations given by representatives of government institutions. Most notably was a presentation given by Maryland state government officials and one of their contractors, in which they described the Maryland budget cycle and their use of the RStar system for recording revenues and expenditures. The presentation was very relevant to the MOF's GFMIS efforts, and led to a request by the MOF for additional information from the State of Maryland, including: a sample of the Charts of Accounts (COA) that supports the RStar system, illustrating its structure; details on the classification of programs within the COA, including the coding of the programs; the structure of the key performance indicators (KPIs) as included in the COA; and highlights of the relationship and interface between the systems used by the agencies and the RStar system. MESR obtained, translated, and provided this information to the MOF in October 2019.

During the reporting period MESR representatives met with MOF officials to discuss technical support that MESR may provide to advance GFMIS implementation. On November 12, 2019, MESR representatives met with Mr. Aly El Sisi, MOF Sector Head of the Central Budget Unit, and Mr. Waleed Abdullah to discuss current GFMIS issues and future technical assistance MESR may provide to the MOF to support GFMIS implementation. Future assistance may include: 1) providing international experience and best practices on how to establish KPIs; and 2) verifying that the way programs are currently set up on the GFMIS, at the identified levels, is the optimum way to integrate budgets on a program basis into the GFMIS. MESR sought Mr. Abdallah's input on a possible GFMIS study tour to Indonesia (which also uses a GFMIS based on an Oracle platform) and criteria to apply when selecting short-term GFMIS advisors who will provide technical assistance to the MOF. Mr. Abdallah agreed to provide further input on both of these issues.

During the reporting period MESR representatives from Objective Two continued to work closely with MESR's IT Director and Objective One representatives who are supporting efforts by the MOF and MPED to integrate the ISIPPM and the GFMIS. On November 14, 2019, MESR representatives from Objective One and Two and MESR's IT Director participated in a meeting at the MOF on the integration of ISIPPM project codes with GFMIS codes. In the meeting Mr. Abdullah clarified that there are two options to fulfill the integration: 1) keep the codes in the two systems unchanged and develop a cross-reference mapping of the codes; or 2) update the codes in ISIPPM to match the relevant codes in GFMIS. An important factor to consider in selecting one of the two options is the existing integration of the ISIPPM with other parties, specifically the Investment Bank. The objective is to optimize GFMIS implementation and ensure a seamless process between the two Ministries. Additional information is provided under Activity 1.5.1 above.

**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 current budgeting process focuses on line items and aggregates organizational costs instead of planning for multiyear expenditures or implementing specific programs. The GOE must improve the effectiveness and efficiency of its budgeting process and allocate resources to investments and programs that will achieve desired results. The focus must shift to performance goals and the investments to achieve them, as opposed to budgeting for organizations as if their budgets remain static. Enhanced budget and planning processes are integral to achieving objectives reflected in Egypt's Vision 2030.

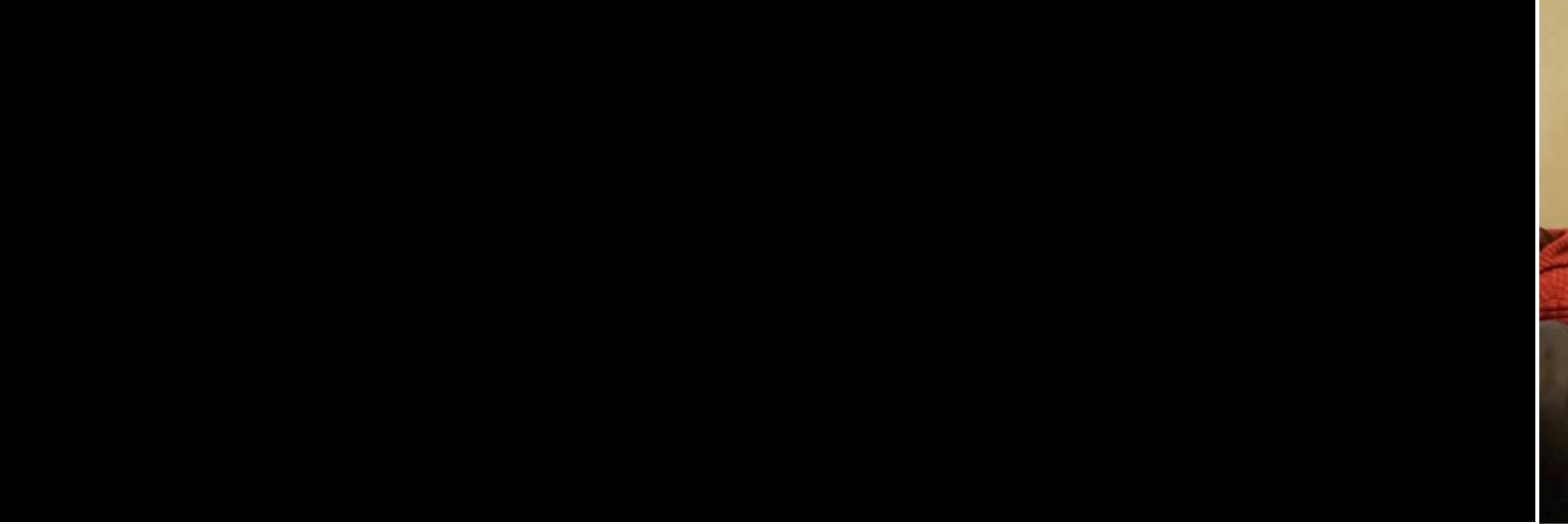


Figure 6: MESR conducted many activities to support the GOE's budgeting process, including a TOT (pictured above) on presentation skills, KPIs, and allocation of indirect costs to MOF and MPED trainers, who then provided training to 1760 government officials from over 650 budget units in December 2019.

In the reporting quarter MESR provided extensive technical assistance to Parliament, the MOF, and MPED to support the GOE's efforts to implement program-based budgeting (PBB). Assistance included, but was not limited to, providing training on presentation skills and two technical areas (KPIs and allocation of indirect costs) to MOF and MPED officials, who used the knowledge and skills acquired to train over 2000 government officials over a four-day period in December 2019. This and other MESR accomplishments with are described under Activities 2.2.1-4 below.

#### ACTIVITY 2.2.1: REVIEW THE GOE'S BUDGET PROCESS AND SUPPORT PROGRAM-BASED BUDGETING IMPLEMENTATION.

During the reporting quarter MESR continued its extensive support to the GOE on program-based budgeting activities, which includes effective and timely technical assistance that also promotes coordination among GOE ministries and Parliament. A summary of MESR budget activities and accomplishments is provided below.

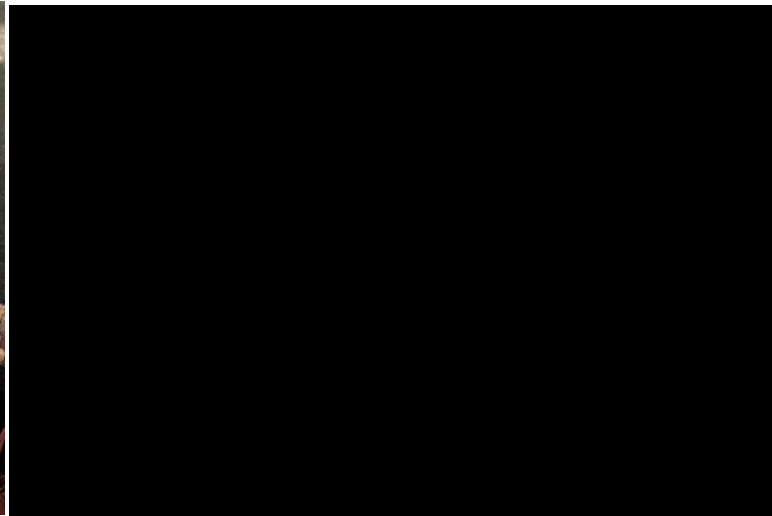
1. Budget Study Tour. On October 9, 2019, MESR organized a debriefing meeting for the delegation consisting of nine Members of Egypt's Parliament, one Parliament staff, four officials from the MOF, two officials from the MPED, and one representative from USAID who, along with five MESR staff, participated in a budget study tour to the U.S. held from September 7 to 18, 2019. At the debriefing meeting, held on October 9, 2019, the study tour participants expressed their appreciation to USAID and MESR for funding and organizing the successful study tour and discussed possible future activities to be conducted to advance PBB implementation in Egypt. The participants prioritized the activities and developed a tentative timetable for performance of the activities. Hands-on training on unit costing for the Ministries of Education and Health and Population, workshops on KPIs and other topics for selected ministries, training-of-trainers (TOT) courses, and consultations on the possible establishment of a Parliament Budget Office are a few of the priority activities expressed by the study tour participants. MESR will provide assistance in these and other areas to Parliament, the MOF, MPED, and possibly other ministries to support reforms to implement PBB.
2. PBB Manual. MESR is supporting the MOF in drafting a PBB Manual that will provide operating guidance to GOE officials on PBB implementation. During the reporting period MESR representatives held a number of meetings with Mr. Mohamed El Sobky, MOF Sector Head of Final Accounts, to discuss the drafting of the PBB Manual. An initial version of the PBB Manual

(which includes a chapter on Gender Responsive Budgeting) was drafted based on input provided by the MOF and MESR advisors and staff. An English version of the PBB Manual was completed in December 2019 and submitted to USAID and Mr. Sobky. At the end of the reporting period MESR was in the process of translating and editing the Arabic version of the PBB Manual. MESR plans to submit the Arabic version of the PBB Manual to the MOF and USAID in the following reporting period.

3. PBB Workshops and Conference. From October 20 to 22, 2019, two MESR representatives from Objective Two attended the NEC Conference in Hurghada, Egypt, where they enhanced their knowledge of monitoring and evaluation tools by participating in workshops (including *Program and Performance Based Budgeting as a Tool for Improving the Monitoring and Evaluation System* and *Better Criteria for Better Evaluation: Using Evaluation Criteria for Accountability and Learning in a National Evaluation Context*) held prior to the start of conference activities. In addition, the MESR representatives took advantage of the opportunity to meet with MOF and MPED officials, as well as Members of Parliament who had participated in the U.S. budget study tour, to discuss the status of PBB reform activities and next steps.
4. PBB Template. On October 28, 2019, MESR representatives met with Mr. Mohamed El Sobky to discuss progress made on program-based budgeting implementation. Mr. Sobky stated that the MOF and MPED agreed on a unified budget template that will be sent to line ministries to obtain their budgets on a program basis. On November 5, 2019, Parliament approved the unified budget template. This is a significant achievement, as previously the MOF and MPED PBB templates differed, creating additional complexity for line ministries. The budget study tour to the U.S. organized by the MESR project contributed to this achievement, as Parliament, MOF, and MPED representatives worked on the unified budget template during the study tour.
5. PBB “Mega Training”. On November 18, 2019, MP Ms. Silvia Nabil, Mr. Mohamed El Sobky, MOF Sector Head of Final Accounts, and Dr. Gamil Helmy, MPED Minister’s Assistant for Monitoring, asked MESR to provide support for training over 2000 representatives from budget units in line ministries on: the new standardized budget template; matrix of accounts; establishing KPIs; and allocating indirect costs. This as an important step in the implementation of PBB, as it engages all budget units in the GOE on the transformation from line-item to program-based budgeting. The training was to be conducted prior to the start of the new budget cycle in mid-December 2019. While the training schedule was very ambitious, this activity demonstrated the GOE's commitment to actions to advance program-based budgeting during this budget cycle, as well as MESR's continued commitment to support to the GOE in furthering this important initiative.

To build counterpart capacity and ensure sustainability, MESR offered to support this initiative by providing a two-day TOT program for selected officials from the MOF and MPED, which included developing presentation skills and training on how to establish KPIs and allocate indirect costs. MOF and MPED trainees would then use these skills and knowledge to train representatives from government budget units from across Egypt. MESR also offered to provide logistical support for the training, including providing hotel venues for the training.

On November 30, December 1, 2, 3, and 5, 2019, MESR provided training on presentation skills, KPIs, and allocation of indirect costs to selected officials from the MOF and MPED who would provide training to government officials in the following week. On November 30 and on



December 1, MESR's TOT Advisor provided training on presentation skills to 25 officials from the MPED. Similar training was given to MOF officials on December 2 and 3. Also on December 2 and 3, MESR's M&E Advisor gave half-day training sessions to MOF and MPED officials on establishing KPIs. This was followed by a full-day training session on the allocation of indirect costs provided by MESR's Internal Auditor on December 5. The combination of soft skills and technical training provided the officials with the presentation skills and technical knowledge required to give training in the following week.

On December 8-11, 2019, MESR organized two two-day training sessions (the first on December 8 and 9 and the second on December 10 and 11) for over 2000 officials from over 650 budget units. To accommodate the number of participants, morning and evening training sessions were held. The training was conducted in conference rooms at four hotels in Cairo. The training was given by MOF and MPED officials on the new budget template, matrix of accounts, KPIs, and the allocation of indirect costs. The latter two topics applied training provided by MESR in the previous week. MESR representatives from Objective Two, Operations, Capacity Building, and Monitoring and Evaluation teams played a key role in the success of the training by performing their functions in an efficient, effective and professional manner.

On December 11, 2019, IMF Budget Advisor Marc Robinson attended training provided on the budget template that was given at one of the training venues. MESR's Objective Two Team Lead and Budget and Accounting Specialist met with Mr. Robinson to summarize PBB support that MESR has provided to date and describe PBB support MESR plans to provide in the future. Mr. Robinson stated that the IMF is planning to provide PBB support to the GOE and wishes to coordinate PBB support with MESR. Mr. Robinson also commented on the effectiveness of the training event and the excellent logistical support MESR provided.

## Stakeholder highlights: Ensuring sustained capacity building and buy-in through PBB training of trainers

MESR provided a TOT to selected MPED and MOF officials to enable them to train 1760 representatives from budget units. TOT participants remarked:

*"It is the first time [for MPED participants] to be in the same room with MOF participants, receiving the same training. This enables us to have a common understanding of program-based budgeting concepts and how to apply these concepts".*

- [Redacted] MPED TOT participant

*"I have received training before on unit costing, but this is the first time I have been trained using exercises to apply a step by step methodology of unit cost and allocation of indirect cost."*

- [Redacted] MPED TOT participant

*"I now can give an introduction on the appropriate methodology to calculate unit cost. This will be a good reference when I deliver the training to others."*

- [Redacted] MOF TOT participant



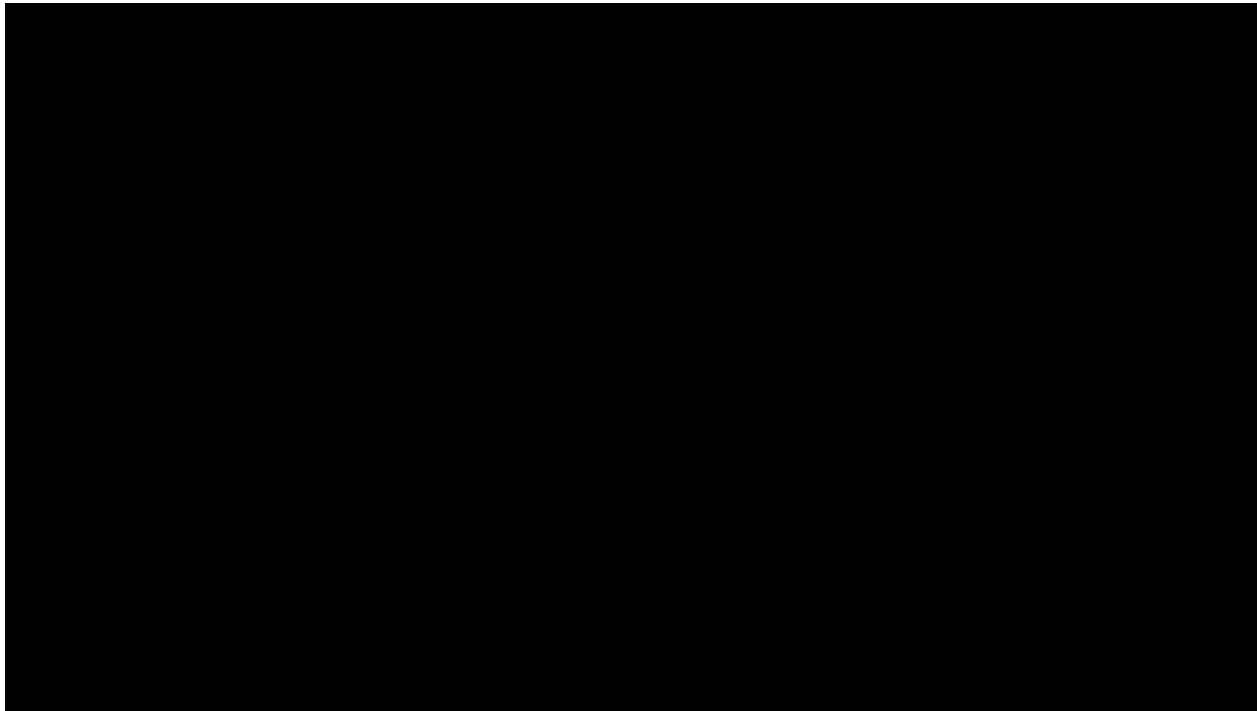


Figure 7: PBB Units organizational development workshop for officials from the MOF and MPED. December 18, 2019

6. PBB Units at the MOF and MPED. On November 19, 2019, MESR's short-term Organizational Development Advisor and MESR staff met with Mr. Mohamed El Sobky to acquire information on the PBB Unit that is to be established at the MOF. (A PBB Unit will also be established at the MPED.) The information acquired from both the MOF and MPED was utilized to conduct a joint workshop to address organizational development issues encountered by the Units and to develop process flows to enhance coordination between the two Units.

On December 18, 2019, MESR conducted an organizational development workshop for 22 officials from the MOF and MPED. The workshop supported the MOF and MPED in the development of PBB Units that were established at both Ministries according to Prime Minister Decree 1167/2019. MESR's short-term Organizational Development Advisor applied a strategic transformation model to address the importance of change management and factors to be considered when structuring the new Units. During the workshop, the participants jointly drafted budget process flows for activities within and between the two Units. Participants agreed to formulate a Task Force that includes representatives from both Units to design the Units' structures, staff roles and responsibilities, process flows, and other relevant tasks of the PBB Units. MESR will continue supporting the establishment of the Units and, through this support, promote coordination between the two Ministries.

#### **ACTIVITY 2.2.2: FACILITATE COORDINATION BETWEEN THE MOF AND MPED TO IMPROVE BUDGETING FOR CURRENT AND CAPITAL EXPENDITURES.**

There must be effective coordination between the MOF and MPED to unify the budget process and ensure that priority capital investments receive their required funding and do not crowd out critical Line Ministry expenditures. The single most significant activity coordination activity conducted by Objective Two during the reporting period was the organization of the PBB Mega Training event described above,

where MOF and MPED officials worked together to provide training to over 2000 government officials. A Member of Parliament, Ms. Silvia Nabil, also attended the training event on multiple days. This interaction between the two Ministries, as well as with Parliament, continued the effective interaction that was generated through the budget study tour MESR organized in September 2019.

In addition to the PBB training, MESR facilitated coordination between the MOF and MPED through other activities affecting both Ministries, such as the integration of ISIPPM and GFMIS (described in Activity 2.1.1 above), the organizational development of the PBB Units to be established in the MOF and the MPED (described in Activity 2.2.1 above), and the participatory budgeting initiative in Alexandria (described in 2.2.3 below). In addition to facilitating coordination between the MOF and MPED, MESR continues to play an important role in facilitating coordination among units within the MOF.

**ACTIVITY 2.2.3: ENHANCE PARTICIPATORY BUDGETING AND BUDGET TRANSPARENCY.**

In late 2018, the MOF established a Fiscal Transparency and Citizen Engagement (FTCE) Unit, which promotes participatory budgeting and budget transparency. During the reporting period MESR representatives from Objective Two and MESR’s Communications Director supported the FTCE Unit in developing the Unit’s participatory budget initiative in Alexandria (Act Positively and Help Alexandrians). The MOF and MPED are jointly organizing this initiative, which is designed to increase citizen participation in the budget process and raise accountability of budget expenditures. The pilot project is expected to serve as a model for similar participatory budget initiatives in other governorates. (For additional information on this initiative see Activity 2.4.2 below.)

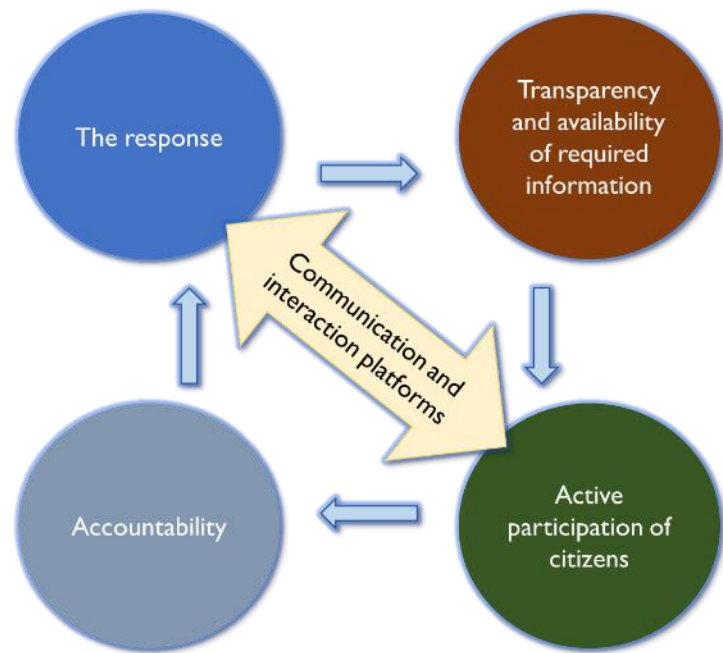


Figure 8: The diagram shows how the citizen participation in budget development will promote government accountability and transparency

At the request of Ms. Sara Eid, Head of FTCE Unit, MESR agreed to continue to support the FTCE Unit in improving its ranking on the Open Budget Index and enhancing the fiscal risk knowledge of FTCE staff. This assistance, which was initiated in the preceding reporting period, is planned for the following reporting period.

**ACTIVITY 2.2.4: SUPPORT THE USE OF PERFORMANCE BUDGETS CONDUCTED BY THE MOF INTERNAL AUDIT UNIT.**

To effectively implement PBB, the GOE must develop a rigorous means to evaluate program performance. Doing so will enable the GOE to objectively evaluate the performance of programs and, if warranted, adjust program budgets accordingly. To further this objective and to enhance overall governance processes, in 2017 the MOF established an Internal Audit Unit which, applying International

Internal Audit (IIA) standards, evaluates the practices and performance of MOF authorities, departments, and units to determine whether they are working efficiently, managing risks effectively, and achieving established performance metrics.

In July 2019, MESR initiated support to the Internal Audit Unit, which included training to build the capacity of Unit staff to conduct MOF audits based on IIA standards. The MOF Internal Audit Unit will serve as a pilot for Internal Audit Units to be established at other ministries, making it critical that the MOF Internal Audit Unit develop to a level so that it can serve as a model for organizational structure, processes and procedures, and audit expertise. MESR will continue to support the MOF Internal Audit Unit in developing its capacity and ability to transfer its proficiencies to other Internal Audit Units.

On December 9, 2019, MESR's Tax Policy and Tax Administration Specialist and MESR's short-term Internal Auditor met with Mr. Ehab Khattab, Head of the MOF Internal Audit Unit, to discuss criteria to be used for the possible acquisition of internal audit management software. Implementing an automated audit management system will enable the Internal Audit Unit to build a database of risks in various state departments, maintain an audit history, and generate standard audit forms and a management report. The Internal Auditor drafted a report on this topic, which will be submitted to USAID and the MOF/ETA in the following reporting period after being reviewed and translated by MESR.

Based on Mr. Khattab's request and the importance of risk management to the Internal Audit Unit, MESR is organizing risk management training to the Internal Audit Unit, as well as to other units in the MOF, 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**

With the launch of the VAT in 2016 and the increase in the standard tax rate, tax revenues in Egypt have trended upward. Nonetheless, substantial room for increasing tax revenues exists. Changes in tax policy could be utilized to reduce the informal economy, increase tax collection, and create fiscal space for public investments. Tax collections could be increased substantially through improvements in tax administration that lead to higher levels of taxpayer compliance, including more efficient and effective taxpayer registration, audit, and collections functions.

During the reporting period MESR continued its support to the Egyptian Tax Authority (ETA), while continuing to assess technical assistance needs of the MOF Macro-Fiscal Policy (MFP) Unit. Activities in both areas are described below.

#### **ACTIVITY 2.3.1: REVIEW, IDENTIFY GAPS, AND PROVIDE RECOMMENDATIONS ON IMPROVING THE EXISTING TAX REVENUE ANALYSIS AND FORECASTING TOOLS.**

The MOF MFP Unit has a primary role to play in providing technical support to the MOF and key stakeholders with respect to the IMF Extended Fund Facility (including negotiating terms, monitoring implementation of structural reforms, evaluating fiscal risks); setting fiscal targets for the budget utilizing revenue forecasting, MTBF and MTEF; and other *ad hoc* macroeconomic analyses.

Staff from the MFP Unit attended an introductory fiscal risk workshop MESR conducted in the previous reporting period. In December 2019, MESR was in the process of organizing a second fiscal risk workshop on contingent liabilities scheduled for January 2020 for staff from multiple MOF units, including the MFP Unit. MESR will continue to engage with representatives of the MFP Unit to ascertain their technical and operational needs and identify opportunities to support the Unit in the next reporting period.

#### **ACTIVITY 2.3.2: ENGAGE THE MOF/ETA IN A COMPREHENSIVE REVIEW OF TAX POLICY AND TAX ADMINISTRATION.**

Based on input received at a Tax Workshop MESR held with MOF and ETA officials on August 29, 2019, in October 2019 MESR finalized a TAP that reflects ETA technical assistance priorities concerning tax administration and tax policy, such as supporting the organization of a risk assessment unit at the ETA, improving tax invoices, and examining the taxation of e-commerce.

In a follow-on assignment, MESR's short-term Tax Administration Advisor arrived in Cairo on November 20, 2019, to continue MESR's support to the ETA on three high priority activities (controlling tax invoices, e-commerce, and risk assessment) that are included in the TAP. On November 27, 2019, the Tax Administration Advisor and a MESR representative met with Mr. Yasser Taymour, MOF Project Head, and ETA officials to discuss current procedures used to identify non-compliance in taxpayer registration, filing and payments, and to discuss actions that could be implemented to increase voluntary taxpayer compliance. A follow-up meeting was held on December 3, 2019, with Mr. Taymour and ETA officials to discuss risk assessment activities and future technical assistance to be provided by MESR in this and other tax policy and tax administration areas. The planned assistance includes a two-day workshop (tentatively scheduled for late January), where MESR advisors will support the ETA in the organizational development of a risk assessment unit.

In December 2019, the Tax Administration Advisor drafted reports on three topics (controlling tax invoices, e-commerce, and risk assessment), which MESR was translating and editing at the close of this reporting period. The reports will be finalized and submitted to the ETA in January 2020.

#### **RESULT 2.4: IMPROVED CAPACITY OF THE MOF TO MEASURE, MANAGE, AND MONITOR FISCAL RISKS AND ENGAGE IN PUBLIC-PRIVATE DIALOGUE**

The GOE seeks to enhance its capacity to measure and monitor fiscal. However, when MESR offered assistance in this area in Year One of the project, the MOF stated that fiscal risk management was not a technical assistance priority at this time. As a result, MESR suspended most planned activities in this area. MESR did, however, organize a one-day introductory fiscal risk workshop in August 2019, and plans to hold a one-day fiscal risk and contingent liabilities workshop in January 2020. MESR plans to provide additional technical assistance in this area based on MOF interest.

During the reporting period MESR conducted other activities under Result 2.4, including ongoing support to advance public-private partnerships (PPPs) and build mechanisms to promote public-private dialogue. Achievements in these areas are provided below.

#### **ACTIVITY 2.4.1: FACILITATE ACTIVITIES THAT INCREASE THE VIABILITY OF PPPS AS AN ALTERNATIVE FINANCING MECHANISM.**

As noted above, activities associated with the implementation of a fiscal risk management system will be conducted as requested. However, one activity that has a bearing on fiscal risk management concerns contingent liabilities of PPPs.

In Egypt, PPPs are an under-utilized means to finance investment projects. MESR is coordinating assistance to the MOF PPP Central Unit with another donor organization that is providing support to this Unit. On September 23, 2019, USAID and MESR representatives met with Eng. Atter Hannoura, Director of the MOF PPP Central Unit, and representatives of the U.K. Embassy and their contractor, Dcode, to coordinate technical assistance to be provided to the PPP Central Unit to enhance the viability and use of PPPs. Based on this meeting, MESR drafted a joint PPP TAP describing assistance to be provided to the MOF PPP Central Unit by U.K. and USAID contractors. Under the joint PPP TAP, the U.K. contractor will provide organizational development support to the MOF PPP Central Unit, while MESR will provide support on executive regulations to be drafted for unsolicited proposals and direct awards. Both donors will provide capacity-building support. The TAP was agreed to by USAID and the U.K. Embassy and sent by MESR to Eng. Hannoura on October 13, 2019.

MESR is supporting the MOF PPP Central Unit and the newly-established MPED Feasibility Studies and Partnerships Unit in efforts to make public-private partnerships a more viable mechanism for new investment projects. Previously, MESR provided support to the MOF PPP Central Unit, MPED and satellite PPP units, including but not limited to training on unsolicited proposals for MOF and MPED staff.

On October 13, 2019, MESR's PPP Specialist concluded an eight-day Feasibility Studies and Financial Modeling course for approximately 22 staff from the MPED Feasibility Studies and Partnerships Unit and other units within the MPED that are involved in the evaluation of capital investment projects. The course, which commenced on September 24, 2019, at the Institute of National Planning, provided best practices in preparing feasibility studies and financial models for the evaluation of investments. The course included: comprehensive case studies of feasibility studies that could be used to exhibit best practices; a comprehensive financial model prepared for a healthcare project; a financial modeling exercise; and homework exercises focused on developing the participants' financial modeling skills. The course achieved its objective of building MPED staff capacity to effectively review project feasibility studies submitted to the MPED. Based on need and staff capacity at the MPED, a follow-up course designed to provide hands-on training to MPED staff in evaluating feasibility studies may be offered.

During the reporting period MESR conducted an extensive search for an experienced PPP Advisor who could support the PPP Central Unit in drafting executive regulations on unsolicited proposals and direct awards. MESR identified multiple possible candidates. Eng. Hannoura selected one of the proposed candidates, who MESR subsequently contracted for a short-term assignment that commenced in December 2019. The advisor researched and began drafting a report on unsolicited proposals and direct awards, which includes international practice in these areas. MESR will submit the report to the PPP Central Unit in January 2020 when the PPP Advisor is scheduled to arrive in Cairo to provide direct support to the PPP Central Unit.

#### **ACTIVITY 2.4.2: BUILD STRUCTURED AND TRANSPARENT MECHANISMS FOR PUBLIC-PRIVATE DIALOGUE.**

The general population requires better information on macroeconomic issues to enable the public to engage in fiscal policy issues. Numerous mechanisms can be employed to increase public-private dialogue of macroeconomic policy. MESR will 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 continued to discuss possible public-private dialogue mechanisms with counterparts. On December 5, 2019, MESR's Strategic Communications team coordinated and participated in a workshop attended by the Head of the MOF Fiscal Transparency and Citizen Engagement (FTCE) Unit, the MPED Communications Head, and participatory budgeting initiative stakeholders to discuss and agree on the content of the Alexandria initiative, including the project phases and timeline.

On December 10, 2019, MESR's Strategic Communications team presented a digital trends analysis report to the Head of the MOF FTCE Unit. The report discussed the best digital platforms to use for the Alexandria participatory budget initiative. The presentation was supported with a Vox Pops video produced by MESR,

where young citizens of Alexandria were asked what they think a participatory budget is. The results provided insight into the lack of awareness of the budget process and potential entry points for increasing citizen understanding and buy-in. MESR's Strategic Communications team received positive feedback on the report. The Head of the MOF FTCE Unit presented the report to MOF Vice



Minister Ahmed Kouchouk, who also provided positive comments on the report.

On November 25, 2019, MESR representatives met with Ms. Doaa Hamdy, MOF Head of International Affairs Department, and Mr. Gamal Hussein, MOF Head of Protocol, to discuss support MESR may provide to the MOF on their new Tawassol Communication Initiative. The objective of this initiative is to promote the participation of MOF's young staff in leadership roles by developing selected staff and integrating them into executive activities conducted at the sectorial level at the MOF. The MOF has short-listed 1200 candidates for this program who meet the established criteria. Possible MESR support was discussed at the meeting, which may include supporting the MOF in designing selection criteria and an interview process. Future meetings will be held to determine the level and type of assistance MESR may provide to the MOF for this initiative under MESR's Sustainability Plan.

## **PLANNED ACTIVITIES UNDER OBJECTIVE TWO FOR THE NEXT QUARTER**

Illustrative examples of technical assistance activities planned for the following quarter by Objective Two are provided below.

### **RESULT 2.1: IMPROVED CASH MANAGEMENT TO SUPPORT FISCAL CONSOLIDATION**

*Activity 2.1.1: Review the GFMIS and support GFMIS implementation.*

- Support the MOF and MPED in their efforts to integrate the ISIPPM and GFMIS.
- Retain a short-term international GFMIS advisor to provide GFMIS expertise on issues identified by the MOF.

### **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 EGYPT'S VISION 2030**

*Activity 2.2.1: Review the GOE's budget process and support program-based budgeting implementation.*

- Organize a one-week TOT workshop for MOF officials who will train line ministry staff on implementing PBB.
- Conduct two-day unit costing training workshops with the MOF for the Ministries of Education, and Health and Population.
- Support the MOF in conducting additional workshops on KPIs, unit costing, and allocation of indirect costs for selected ministries.
- Support the MOF in finalizing and promoting the PBB Manual.
- Support the MOF in designing a PBB process flowchart that describes the end-to-end cycle and actions to be performed by all GOE ministries, departments and agencies that play a role in the PBB process.

*Activity 2.2.2: Facilitate coordination between the MOF and MPED to improve budgeting for current and capital expenditures.*

- Organize workshops and conferences on PBB, PPP, fiscal risk and other topics germane to both the MOF and MPED.
- Continue to provide organizational development support to newly-established PBB Units in both the MOF and MPED, which will include joint organizational development technical assistance activities that facilitate coordination between the units. Joint organizational development assistance is also being planned for other units within each Ministry.

*Activity 2.2.3: Enhance participatory budgeting and budget transparency.*

- Continue to support the FTCE Unit in designing and implementing a communications plan for the participatory budget initiative in Alexandria and possibly other locations.

- Continue to support the FTCE Unit in efforts to improve its Open Budget Index ranking.
- Continue to provide fiscal risk training to FTCE Unit staff.

*Activity 2.2.4: Support the use of performance budgets conducted by the MOF Internal Audit Unit.*

- Provide general risk management training to staff from the MOF Internal Audit Unit and other selected MOF units.
- Provide specialized risk management training to staff from the MOF Internal Audit Unit.

**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**

*Activity 2.3.1: Review, identify gaps, and provide recommendations on improving the existing tax revenue analysis and forecasting tools.*

- Provide organizational development and/or other support to the MFP Unit.
- As requested, provide revenue forecasting and other capacity building support to the MFP Unit.

*Activity 2.3.2: Engage the MOF/ETA in a comprehensive review of tax policy and administration.*

- Through short-term Tax Administration Advisors and MESR staff, continue to provide support to the MOF/ETA on issues described in the tax technical assistance plan, including developing the operational footprint for the ETA (including criteria for classifying large, medium and small taxpayer centers) and designing the structure of a Tax Policy Unit.
- Organize a two-day workshop (tentatively scheduled for late January), where MESR advisors will support the ETA in the organizational development of its risk assessment unit.

**RESULT 2.4: IMPROVED CAPACITY OF THE MOF TO MEASURE, MANAGE, AND MONITOR FISCAL RISKS AND ENGAGE IN PUBLIC-PRIVATE DIALOGUE**

*Activity 2.4.1: Facilitate activities that increase the viability of PPPs as an alternative financing mechanism.*

- Through a short-term PPP Advisor and MESR staff, support the MOF PPP Central Unit in finalizing executive regulations on unsolicited proposals and direct awards.

*Activity 2.4.2: Build structured and transparent mechanisms for public-private dialogue.*

- Support the MOF in designing communications plans to promote public-private dialogue for current (such as the Alexandria project) and future initiatives.
- Support the MOF in designing the selection criteria and process for its Tawassol Initiative.



## PERFORMANCE RESULTS AND INDICATORS PROGRESS (LOP)

As indicated in Annex I: Table of Achieved Indicators, MESR continued progress towards the accomplishment of its targeted indicators. During this quarter, MESR conducted a training of trainers (TOT) that included soft skills, KPIs development, and calculation of unit cost to 40 participants including 18 from MOF and 22 from MPED. Participants were highly satisfied with the training, especially the trainer who trained them on how to communicate with the audience and speak in public (as reported by the participants). The participants reported that the trainer inspired them through role model stories and promoted team work among them during the training.

Following the TOT delivery, those trained provided training to over 2000 officials from different governmental entities coming from 27 governorates. Thirty-five graduated trainers from both the MOF and MPED participated in the delivery of 200 training hours to participants from 30 governmental entities. Included below are quotations from the trainers and screenshots from social media. The TOT experience was highlighted by the trainers on social media as a distinguished experience and opportunity for interaction among officials from MOF and MPED.

MESR provided logistical support and observed the training delivery to identify performance gaps that will be addressed in the advanced TOT to be conducted in February 2020.

My first-hand experience to give a four-day (6hours/day) capacity building training on strategic public policy methodology: Programs and Performance-Based Budgeting, as representative of Ministry of Planning in collaboration with Ministry of Finance and Egyptian Parliament.

Though I was the youngest in the training hall, I co-trained about 100 participants of agencies' heads from Ministries of Housing, Finance, and Trade & Industry; of whom people coming from remote territories.

As challenging as it was, I enjoyed to give hands-on practice on How to Formulate Performance Indicators for public programmes/projects related to infrastructure, industrial development, and fiscal efficiency and efficacy; looking forward to 2030 sustainable development goals.

So grateful to Ministry of Planning and USAID 'MESR Project' for nominating me for such opportunity. Last, but not least, many thanks to the USAID team for their flawless hospitality and organizing. **#capacitybuilding #sustainabledevelopmentgoals #publicpolicy #tradedevelopment #practice #infrastructuredevelopment #indicators #ThankfulToAllah**

الحمد لله إتشرفت بالمساهمة في تنفيذ البرنامج القومي لتعزيز قدرات العاملين في مجال إعداد خطط وموازنات البرامج والأداء بجد كانت تجربة متميزة جداً سعدت بها ❤️🌸❤️ وفقنا الله جميعاً لما فيه الخير لمصرنا الحبيبه 🥰🥰🥰 و سعدت جدا بمزاملة أجمل بنات

ختام البرنامج القومي لتعزيز قدرات العاملين في مجال إعداد خطط وموازنات البرامج والأداء

وزارة التخطيط والمتابعة والإصلاح الإداري  
Ministry of Planning, Monitoring and Administrative Reforms

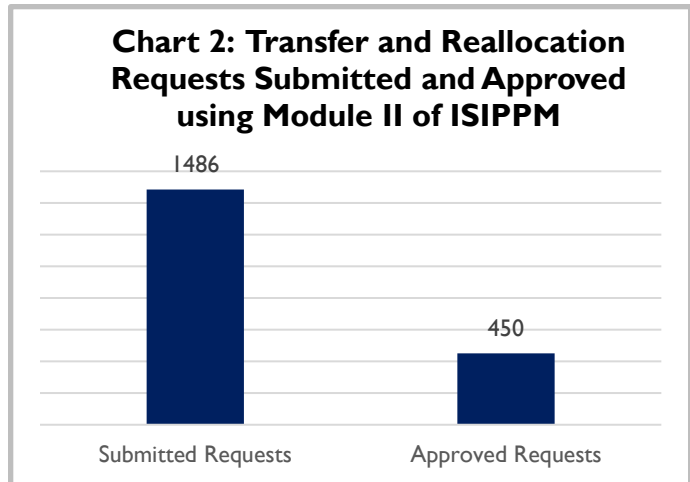
ختام البرنامج القومي لتعزيز قدرات العاملين في مجال إعداد خطط وموازنات البرامج والأداء

35 مدرّباً من وزارتي التخطيط والمالية	200 ساعة تدريبية	1760 مدرّباً من مسئولى التخطيط والموازنة العامة
30 بعدها وزارة والجهات التابعة والمديريات الخدمية في محافظة		27 محافظة

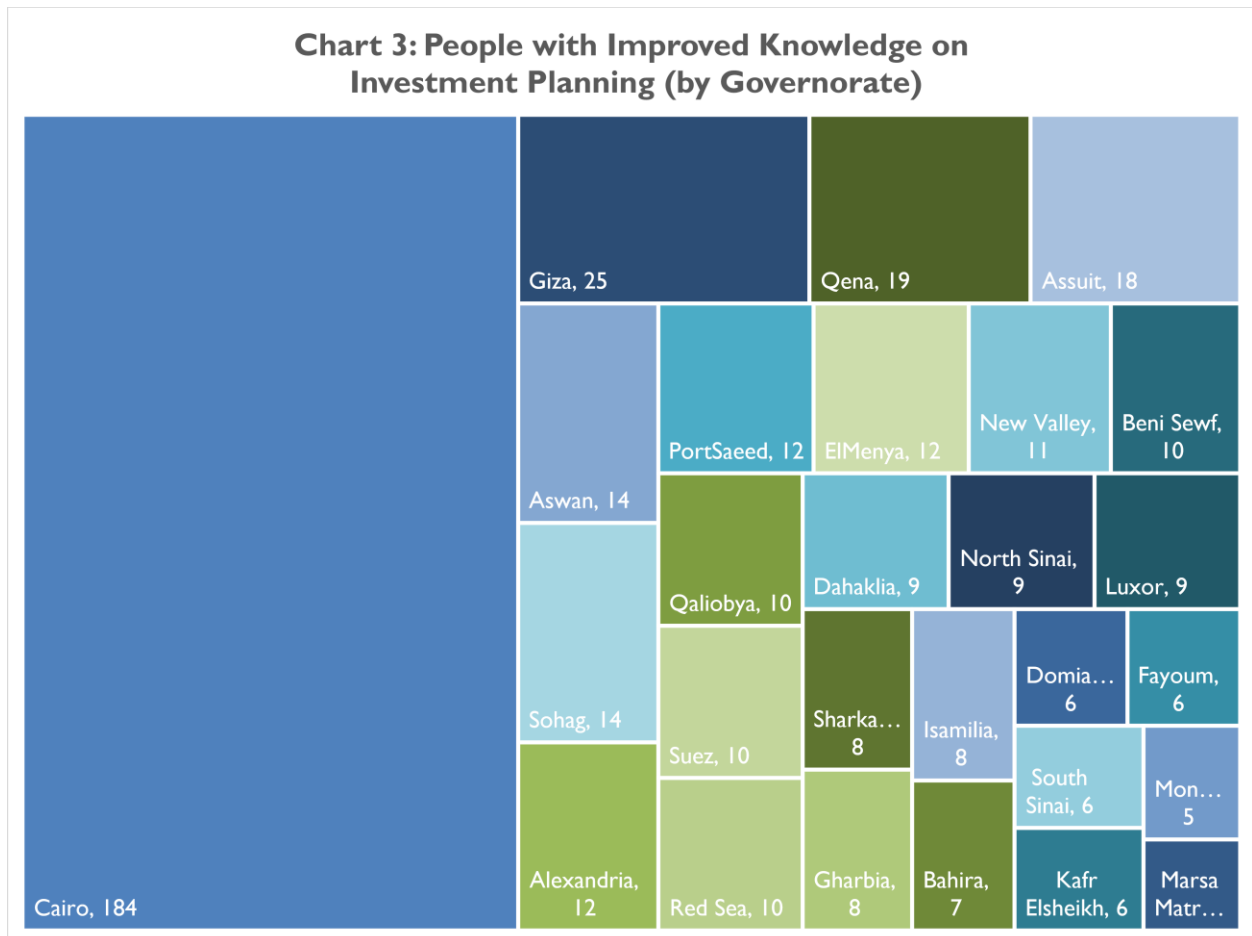
“It was an honor to participate in the implementation of the national program to enhance public officials’ capacity working on preparing PBB. It was a special experience. I am glad to be part of it. May God help us in doing the best for our country”. (translated from above post)

MPED Economic Researcher

As requested by MPED, a round of training conducted on the second ISIPPM Module for a few entities who did not receive the training. The number of the new trainees in this round reached 206 from 27 governorates. Because of MESR’s training, trained governmental officials started using the ISIPPM to submit requests for funds transfer and reallocation which have been digitally reviewed and approved. Chart 2 shows that the number of requests reached 1486, with 450 of these requests approved from July to November 2019. The processing of all 1486 requests shows an improvement in the MPED’s ability to review and approve or deny requests in a timely, efficient manner.



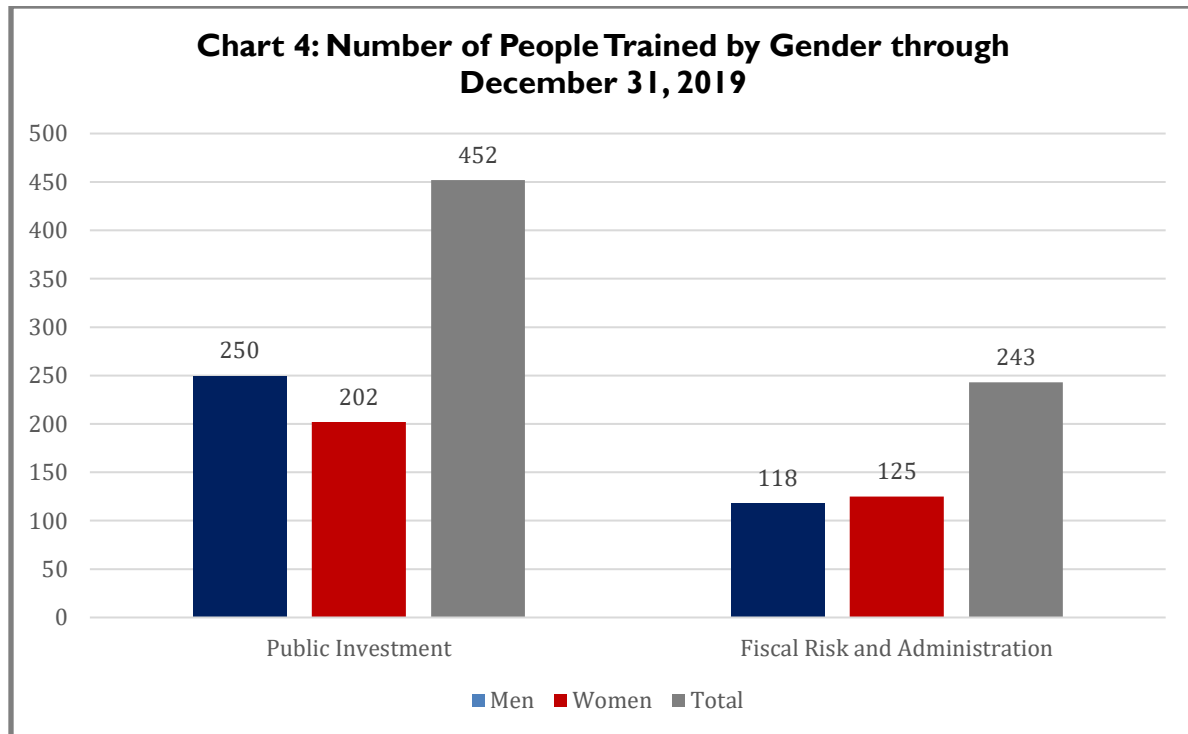
The distribution of people who trained on ISIPPM: Module I and II, according to governorate is presented in Chart 3. According to the improved capacity of governmental officials, a total of 600 governmental entities completed their plans on the ISIPPM, compared to 481 in FY 19; which represents 75 percent of the total targeted entities (801).



MESR is currently working with the MPED to finalize the marketing plan for the Egypt's Vision 2030. This will be implemented through the road show conducted in eight governorates prior to the launching of Egypt's Vision 2030 in April 2020.

Under Objective Two, the days of technical assistance in fiscal policy and administration reached 2,666, including 624 days in the last quarter. The technical assistance included tax administration, PBB, and PPP. However, the number of persons completed training in fiscal policy and administration did not change, because the same people received another round of training on PBB, which was not counted to avoid double counting. At the same time, those who received the TOT were counted in the TOT indicator under Objective One.

Overall, the total number of trained people on public investment reached 452 (250 men and 202 women) while those who trained on fiscal risk and administration reached 243 (118 men and 125 women) as presented in Chart 4.



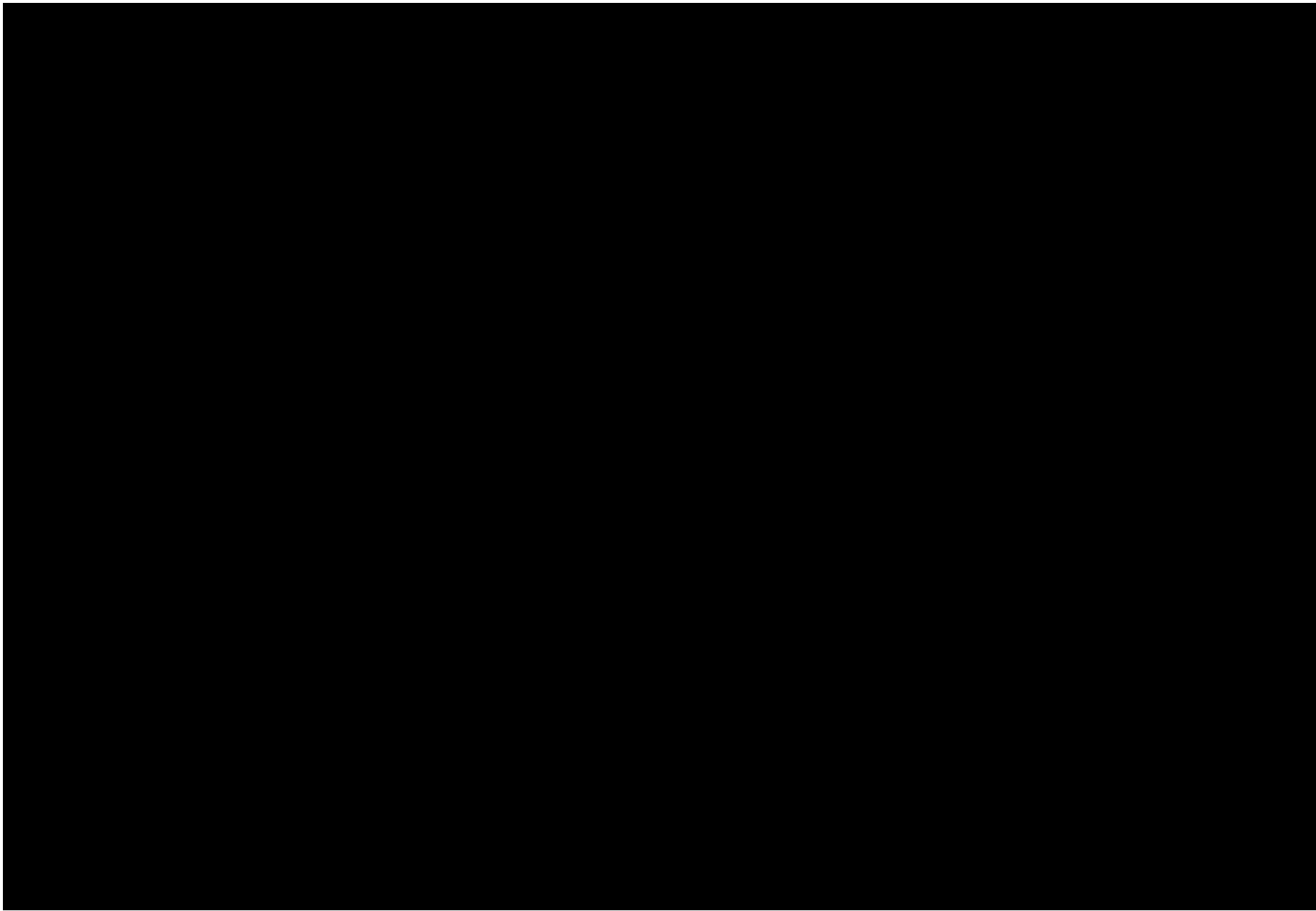
## DELIVERABLES SUBMITTED TO USAID

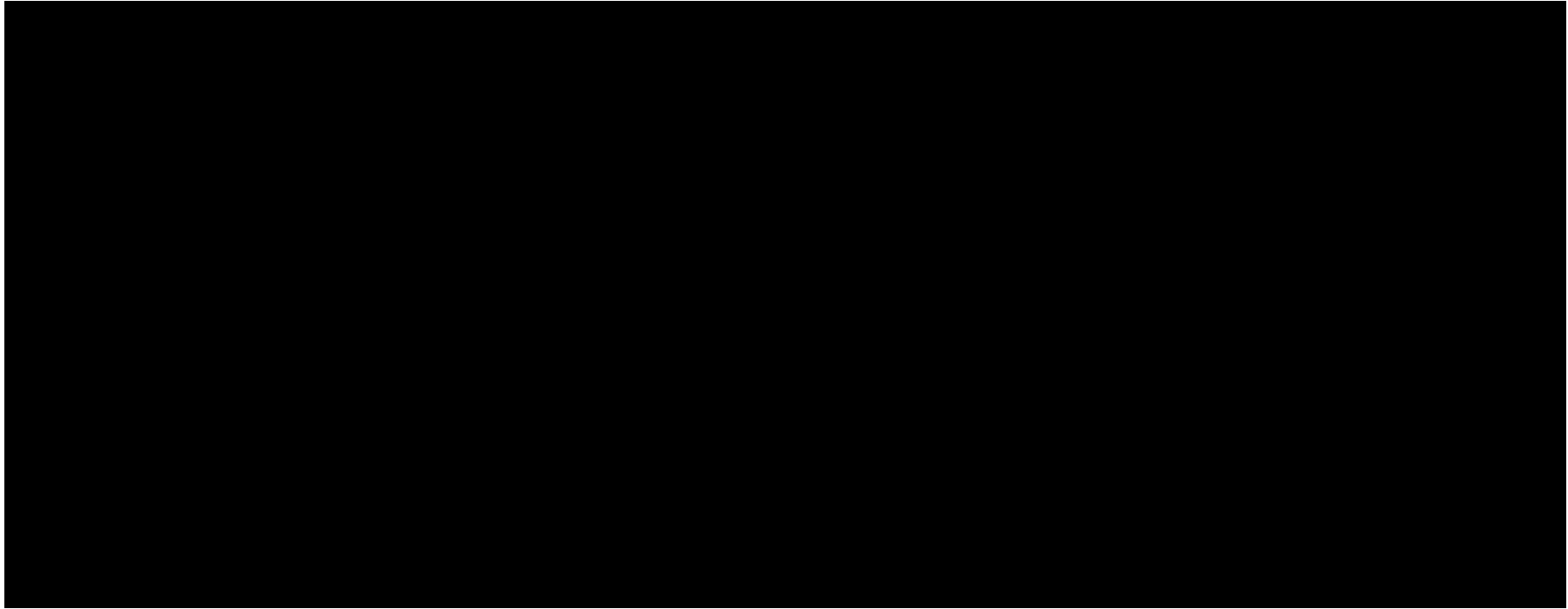
MESR developed and submitted the following deliverables, as stated in Table 2. The table indicates startup deliverables along with their approval status from USAID.

Table 1: Contractual Deliverables and Reports Submitted to USAID

	Deliverables	Status
1	MESR Gender Analysis	Submitted and approved
2	MESR Sustainability Plan	Re-submitted and approved
3	MESR Security Plan	Submitted, does not require USAID approval
4	MESR Branding Implementation and Marking Plans	Re-submitted and approved
5	MESR Year One and Year Two Work Plan	Re-submitted, and approved
6	MESR MEL Plan	Re-submitted and approved
7	MESR Staffing Plan	Submitted and approved
8	Bi-Weekly Updates	Ongoing
9	Year Two Training Plan	Submitted and approved
10	Quarterly and annual reports	Submitted on time and approved







## CHALLENGES AND ADAPTIVE LEARNING

MESR follows an adaptive learning approach that enables it to continuously adjust its approach to changing conditions and stakeholder needs, while still working toward overall project goals. Below are a few examples of challenges encountered by MESR over the past quarter and the mitigation and adaptive measures MESR undertook to address them:

- The training conducted for 2000+ officials from governmental entities was a challenge, given the very short notice. This training was requested by the GOE ten days in advance. MESR worked hard to find adequate locations and make necessary arrangements to hold the training on time with all proper logistical support. The training was well received by all trainees, reflecting MESR's ability to adaptively and efficiently respond to its stakeholders' needs. MESR's responsiveness to its stakeholders' needs in the context of its overall project goals has been a major factor behind MESR's ability to build stakeholder trust and strong buy-in to its proposed reforms and technical assistance.
- During the process of developing the MPED website, MESR faced many challenges. This included absence of content, lack of high-resolution photos, and low quality of available content. To address this, MESR provided a content editor to train the staff on proper editing and content development for the websites.
- MESR was requested to provide technical support for the organizational development of the newly established the Feasibility Studies and Partnerships Unit. However, following the eight days of training provided over the period from September 16 to October 13, the MPED is reluctant to identify the unit staff and what is the exact mandate of the unit, as well as develop a plan of action of the required support from MESR. This stems from the Unit's current lack of bandwidth, which is comprised of a task force of MPED staff who have existing full-time work in their original units. Accordingly, MESR is developing contingency support plans and will propose an action plan for activating and institutionalizing the unit in the next quarter, based on further consultation with the MPED.
- MESR included revenue forecasting capacity-building in the assistance it planned to provide to the MOF. However, MOF officials have informed MESR that many MOF staff have received extensive revenue forecasting training from the IMF and other international organizations. Therefore, MESR will identify any specific needs the MOF has in the area of revenue forecasting and will also identify revenue analysis technical assistance that can be provided to the MOF.
- MESR included fiscal risk management in the assistance it planned to provide to the MOF. However, MOF officials have informed MESR that support in this area is being provided by another donor. Therefore, MESR will provide assistance in this area if and when requested by the MOF. Based on a request from one MOF unit, MESR organized an introduction to fiscal risk workshop. MESR plans to provide targeted fiscal risk workshops in the future.



## **ANNEX : EXPENDITURES AND FINANCIAL REPORT**

Please refer to the Quarterly Financial Report submitted separately.