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**ANNEX I**

of the Commission Implementing Decision on the multiannual action plan in favour of Egypt for 2022, 2023 and 2024

**Action Document for EU TIGARA: EU Support to Trade, Industry, Growth and Rapid Market Access**

**MULTIANNUAL ACTION PLAN**

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23(2) of NDICI-Global Europe Regulation.

**1. SYNOPSIS**

**1.1. Action Summary Table**

<b>1. Title</b>	EU TIGARA: EU Support to Trade, Industry, Growth and Rapid Market Access Multiannual action plan in favour of Egypt for 2022, 2023 and 2024 (part1)
<b>CRIS/OPSYS</b>	OSPYS business reference: NDICI-GEO-NEAR/2022/ACT-61290 and JAD.1023852
<b>Basic Act</b>	Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Cairo and other locations in Egypt.
<b>4. Programming document</b>	Multiannual Indicative Programme for European Union support to Egypt for the period 2021-2027 <sup>1</sup> (MIP)
<b>5. Link with relevant MIP(s) objectives/expected results</b>	Priority Area 2: Human development, economic resilience and prosperity building through green and digital transition. SO2.1 To strengthen socio-economic resilience for inclusive growth and decent job creation.
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Trade Facilitation and Investment (DAC 330)

<sup>1</sup> C(2022)4049 of 17/06/2022 Commission implementing Decision adopting a multiannual indicative programme for Egypt for the period 2021-2027

	Support to Business, Micro and SMEs (DAC 350)			
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG: SDG9 (Industry, Innovation and Infrastructure) Other significant SDGs: SDG1 (No Poverty) SDG8 (Decent work and economic growth) SDG12 (Responsible Consumption and Production) SDG17 (revitalise Global Partnerships for sustainable development).			
<b>8 a) DAC codes</b>	15110 - Public sector policy and administrative management 33120 - Trade facilitation 32120 - Industrial development			
<b>8 b) Main Delivery Channel</b>	Central Government 11000			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line (article, item): 14.020110 Southern Neighbourhood Total estimated cost: EUR 8 000 000 Total amount of EU budget contribution EUR 8 000 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Implementation modalities (type of financing and management mode)</b>	Project Modality - <b>Indirect management</b> with the entity to be selected in accordance with the criteria set out in section 4.3.1			

## 1.2. Summary of the Action

The title of this EU flagship programme is TIGARA, which means “Trade” in Arabic.

The EU intervention will focus on supporting the Government of Egypt’s (GoE) efforts to strengthen the capacities of the private sector to comply with trade and domestic market regulations. This programme will strengthen and support Egyptian institutions that provide backing to the private sector and modernise the National Quality Infrastructure (NQI) and trade development efforts in line with international standards and commitments in order to increase competitiveness and market transparency. This will be carried out in the framework of the newly adopted Programme for Country Partnership (PCP)<sup>2</sup> for Egypt.

The Action directly responds to the EU-Egypt Partnership Priorities 2021–2027<sup>3</sup>, namely Priority 1 on Egypt’s Sustainable Modern Economy and Social Development, which recognises that “*the EU and*

<sup>2</sup> <https://www.unido.org/who-we-are-programme-country-partnership/programme-country-partnership-egypt>

<sup>3</sup> <https://data.consilium.europa.eu/doc/document/ST-2803-2022-ADD-1/en/pdf>.

*Egypt are important trading partners. The two sides will jointly identify suitable approaches to enhance bilateral trade and investment relations, improve competitiveness and ensure accessibility of goods and services to the respective markets in accordance with World Trade Organization (WTO) regulations and the EU-Egypt Association Agreement and Egypt's further integration into regional and global value chains."*

**The overall objective** is to contribute to an improved policy framework in line with international commitments and standards and to the increased competitiveness and efficiency of the Egyptian private sector, which will lead to higher sustained economic growth and decent job creation.

The **specific objectives** are:

SO1: Improved capacity and efficiency of the Egyptian ecosystem for enterprise development and trade.

SO2: Increased participation of Egyptian small and medium enterprises (SMEs) in selected industry value chains.

The intervention is conceived in **2 components**:

**Component 1** will focus on institutional support for Government organisations that promote enterprise development;

**Component 2** will demonstrate the benefit of a conducive NQI supported by private investment and improvement in sustainability to increase access to trade, by supporting selected industrial clusters and value chains.

## 2. RATIONALE

### 2.1. Context<sup>4</sup>

Egypt is a **lower middle-income country** with a population of over 103 million in 2022.

The context underlying the identification of this action is marked by: (i) the EU ambition to ensure that the increased competitiveness of the Egyptian industry, trade facilitation and enhanced market transparency also leads to **sustainable economic growth both environmentally and socially**; (ii) The willingness of the Government of Egypt to pursue trade-related reforms in line with international standards and commitments, and to sustain industrial development through a strategic framework supported by **enhanced quality conformity**; (iii) The need to **build capacity** at the Ministry of Trade and Industry (MoTI) **to lead this process**, in concert with other relevant authorities/agencies, and with the private sector; (iv) To **fully exploit access for Egyptian products to the EU market** in line with the Free Trade Area under the Association Agreement<sup>5</sup>; (v) The need **to demonstrate on selected value chains** the benefits of a conducive National Quality Infrastructure and improvement in sustainability to increase access to trade.

The "**Sustainable Development Strategy – Vision 2030**" (SDS), adopted in 2016, reflects Egypt's vision for inclusive, sustainable and participatory development, encompassing economic, social and environment dimensions. It reflects the 2014 Constitution and provides the operational framework for the reform programme of the Government of Egypt (GoE), in alignment with the **17 SDGs** as well as the African Agenda 2063.

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<sup>4</sup> More detailed context, policy framework analysis and stakeholders analysis available in Annex 1 to the Action Document

<sup>5</sup> Title 2 Council Decision [2004/635/EC](#)

The commitment of Egypt towards the Agenda 2030 is quite relevant considering the **rapid population growth** coupled with ambitious development and industrialisation policies which have put heavy pressure on natural resources in the form of severe air, water and soil pollution. This pollution is mostly due to **inefficient industries** and **weak enforcement of environmental regulations**. Egypt is particularly vulnerable to climate change too and a major contributor to plastic pollution to the Mediterranean.

Despite the COVID-19 pandemic's great economic impact worldwide in the last two years, the Egyptian government reported Egypt's GDP growth of 6.6% during fiscal year (FY) 2021-2022 (July-June), compared to 3.3% of previous year. Growth was driven by gas exports, uptick in Suez Canal revenues and expansion in construction. However, the recovery eased off considerably in the second half of the FY (January-June 2022) due to worsened global conditions. Egypt benefits from the rising value of its natural gas exports, but depends on imported oil, food and manufacturing products. The International Monetary Fund (IMF) revised Egypt's growth forecast to 4.4% for FY 2022-2023. Like for many other countries Egypt has been affected by the global economic slowdown and tightening financial conditions.

**Egypt's trade deficit** in the fiscal year 2021/2022 jumped to around USD 47.8 billion. As a percentage of Gross Domestic Product (GDP) it increased dramatically Y-o-Y from 7.6% to 11.8.

**A closer look at microeconomic level** shows that industries competitiveness and sustainability is not always prioritized. Too many Egyptian industrial investors do not feel required either by their market customers or their investors to focus deeply on competitiveness and sustainability; profit maximisation being the primary objective.

The **Egyptian economy** is dominated by the service sector (54% notably tourism and transport), industry (35% composed mainly of textiles, food processing, tourism, chemicals, pharmaceuticals, hydrocarbons, construction, cement and metals) and agriculture (11%).

**Russia's war of aggression against Ukraine** in 2022 is having a negative impact on Egypt as it drives food prices up, in a context where 21% of Egypt's imports of cereals originate from Russia and 22% from Ukraine (2021)<sup>6</sup>. Furthermore Russia and Ukraine used to account for 35-40% of the Egyptian tourism services market.

The **industrial sector** recovery, following COVID-19, is ongoing but taking place in an environment of increased international competition and diversion of trade flows. Egypt's trade and domestic market policies are geared towards strengthening the quality infrastructure and aligning them to international norms and standards. In this context, Egypt is working towards opening negotiations with the European Union (EU) on an Agreement of Conformity Assessment and Acceptance of Industrial Products (ACAA). The most developed industries in Egypt are textiles, food processing, tourism, chemicals, pharmaceuticals, hydrocarbons, construction, cement, metals and light manufactures. In terms of exports, the main products are crude oil and petroleum products, cotton, textiles, metal products, chemicals, processed food and engineering products.

The complex **National Quality Infrastructure** (NQI) made up of a dozen of institutions and market surveillance organisations with duplication and over-lapping mandates results in significant costs and delays for Egyptian companies to duly comply with quality prescriptions on both the external and domestic markets. This is **reflected on their competitiveness in EU markets**, particularly in comparison with their neighbouring countries' companies who availed of more modern NQI (e.g. Turkey, Tunisia and Morocco).

In an attempt to revive its economy since 2011, Egypt obtained a USD 12 billion **IMF** loan in 2016 in exchange for **implementing a rigorous reform programme**, beginning with floating the pound in

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<sup>6</sup> Central Bank of Egypt's statement on the Balance of Payment performance for FY 2021/2022

November 2016 and committing to a wide-ranging structural economic reform which concluded in July 2019.

The IMF and the Egyptian authorities have reached a staff-level agreement on comprehensive economic policies and reforms to be supported by a 46-month Extended Fund Facility (EFF) Arrangement of USD 3 billion, which aims to safeguard macroeconomic stability and debt sustainability, improve Egypt's resilience to external shocks, strengthen the social safety net, and step-up reforms that underpin higher private-sector-led growth and job creation.

Since 2004, Egypt has also stepped up its **trade reform** towards trade liberalisation and industrial modernisation. New tariff schemes were implemented, which reduced the weighted average tariff from 13.5% to 5.5% in 2010. Import and export regulations were also issued which, for the first time, introduced border enforcement of intellectual property rights, together with a number of trade facilitation provisions and measures, in accordance with major international trade agreements to which Egypt is a signatory.

Nevertheless, Egypt retained its spot near the bottom at 171 of 190 countries on the area of **Trade Across Borders of the Doing Business 2020 report** by the World Bank. This low ranking is mainly due to two factors: the regulatory framework still needs improvements to ensure a conducive business and investment environment, including open and rules-based trade and economy, as well as access to finance remains a major constraint for private sector development. Yet the Egyptian government has made recently some efforts to build and streamline business related regulations by placing key institutions as MSMEDA (SMEs Agency) and ERRADA (Better Regulations Agency) under the Prime Minister's Cabinet.

In **2021, Egypt announced its National Programme for Economic Restructure Reforms**. This programme is the second phase of the National Programme for Economic and Social Reforms which began in 2016 and focused on monetary and financial policies. Unlike the first phase which was demand-oriented, the second phase remedies aggregate supply by tackling different areas that include reforming the economy's structure, liberalizing trade, reforming the vocational training system, and developing financial markets. The second phase is concentrated on three sectors that are technology-intensive transformative industries, agriculture, and information and communications technology.

Signed by Prime Minister Madbouly in April 2021, the GoE in partnership with UNIDO has developed the **Programme for Country Partnership (PCP) 2021-25** which has become the new national platform for integrating all industrial development projects, programmes and initiatives in cooperation with all development partners. The PCP will contribute to improving economic, social and environmental performance of the Egyptian manufacturing sector, in line with national priorities and SDG 9, and indirectly through SDG 9 with most of the other SDGs. The PCP includes **six components**, namely: **Industrial Policy and Governance, Investment Promotion, Green Industry, Smart Cities & Sustainable Industrial Parks, Value Chains and Mainstreaming Industry 4.0**. The GoE plans to execute technical cooperation projects to streamline all efforts within the PCP. The proposed EU action and its two components are fully aligned with the PCP and its key pillars, notably on Industrial Policy and Governance Component, Green Industry Component and Value Chains Component.

As part of a wider plan to restructure the economy in favour of the private sector, in October 2022 Egypt has finalised a 'state ownership policy' that aims at more than doubling the private sector's role in the economy to 65% over the next three years, and attracting USD 40 billion in investment by 2026. The new privatization drive came following the economic crisis triggered by the war in Ukraine and during talks with the IMF for a new loan program. The policy document identifies a number of economic sectors from which the state will exit, reduce or increase investments.

The proposed action supports the above policies of the GoE while enhancing their relevance to the achievement of the SDGs. It is to be considered complementary to any future intervention providing EU-specific expertise in identified areas of cooperation.

The proposed action is structured into two components. **Component 1** builds on the outputs from the EU's Trade and Domestic Market Enhancement Programme (TDMEP) activity (previous EU Trade Flagship project in Egypt) and creates a platform for stakeholder involvement and reduced fragmentation that also pertains between ministries. By proposing a transformational strategy and set of policies to foster inclusive and sustainable industrial development to start a rapid catch-up with the most advanced economies. The main focus is on enhancing productivity, competitiveness, sustainability and gender equality, which, in turn, requires a focus on innovation and technological progress, as well as on international trade and investment (domestic and foreign). For this to work, the capacities and capabilities of policymakers needs to be built and a solid policy infrastructure (Decision Support and Coordination Unit) be created at the MoTI. The main functions of this Unit are: crafting policy and strategies; acting as a data and information repository; monitoring and evaluating the implementation of industrial policy; and support productivity monitoring and analysis. The proposed project, also, promotes gender mainstreaming and women working conditions to attract more women to the industrial sector. Moreover, the project will provide technical assistance on quality infrastructure in Egypt.

As far as **Component 2** is concerned, it is proposed to provide targeted support to selected value chains to demonstrate the benefit of a conducive NQI and improvement in sustainability, in line with SDG 8, 9 and 12, to increase access to trade. The **food and textile industries** seem well positioned as they are among the most relevant manufacturing sectors, in terms of GDP (respectively 4.7% and 5.6%), employed labour (about 44% of total in the manufacturing sector), intensive use of female labour, and number of factories (mainly SMEs). Moreover, they both have large margins of improvement in trade performance towards the EU and other regional markets. Both sectors are also vertically integrated, including production of raw materials, thus presenting great opportunities to further integrate their value chains, promote investment, improve sustainability and inclusiveness. While these value chains are quite established, they still are facing challenges to respond to market trends and requirements (from quality and safety to sustainability and innovation), while having also major opportunities for improving their trade performance and create new business opportunities through applying circular approaches and digitalization. Support to other industrial sectors may be considered, such as **Creative Industries** to foster creativity, innovation, while preserving and enhancing a rich cultural heritage. Creative Industries can also further support inclusiveness by increasing participation of youth and women into viable business opportunities or established SMEs. Synergies will be also sought with the other selected value chains, in cross-cutting dimensions such as design and in identified clusters. These identified sectors are in-line with Egypt's commitment to move towards a circular economy.

Support to other industrial sectors will be considered such as **Electronics and Electrical Appliances and Pharmaceuticals**. The Electronics and electrical appliances sector is a major manufacturing sector in Egypt, comprising over 400 manufacturing firms with a total capital value in excess of EGP 8 billion, and employing around 71,000 workers. Egypt's role in Global Value Chains (GVCs) appears to be largely in assembly activities, with much of this activity serving local demand and involving relatively low complexity products. One of the main weaknesses of the Electronics sector is the level of compliance with standards and international requirements for processes and products. Most local suppliers, for example, are not internationally accredited and their production does not meet global quality standards and cannot compete on price. Furthermore, **Egypt is the largest producer and consumer of Pharmaceuticals in the Middle East and North Africa (MENA) region**, holding a market value estimated at EGP 35.6 billion. Egypt's Pharmaceuticals industry is considered to be a **generic-driven market**. However, Egypt does not

possess a competitive advantage when it comes to quality and level of production, which is considered to be below the general standards required by the European and US markets.

A stocktaking exercise of the experience in these value chains and relevant initiatives implemented in Egypt and in the MENA region will be undertaken in the inception phase, and coordination with on-going relevant development programmes will be ensured.<sup>7</sup>

## 2.2. Problem Analysis

### *Institutional capacities, inter-agencies co-ordination and regulatory frameworks*

**An outdated Quality Infrastructure (QI)** in Egypt is a potential obstacle to exports and creates constraints in the domestic market (as low quality drives out high quality). This was partially addressed under the previous EU Trade Flagship Programme known as TDMEP when formulating sector strategies but further work is needed. During TDMEP implementation, the basis for agreement between the MoTI and the sector champions was that the private business associations would undertake structural changes to their sectors. Concomitantly the public sector would take responsibility for carrying out required reforms (including improved regulatory frameworks) and, where revealed as necessary, design strategies and restructure institutions that were found not fit-for-purpose. The reform of the NQI legislation needs to be carried out to develop the functional pillars for the public and the private sector, as conformity assessment becomes a key part of enterprise and export development as their institutions are recognised members of the enterprise development ecosystem.

**Low institutional capacities to pursue trade-related reforms, and to sustain industrial development through a strategic framework supported by enhanced quality conformity.** The Ministry of Trade and Industry still needs to build capacity to lead this process in concert with other relevant authorities/agencies, and with the private sector. This is also identified by the PCP which advises the setting up of a Decision Support and Coordination Unit in the MoTI. There is also a general lack of information among relevant stakeholders concerning implementation of the sectoral strategies of the MoTI. Improving information flows from the MoTI to relevant stakeholders on the five sectoral policies already elaborated constitutes a priority action. The agencies not related to MoTI, which had little or no involvement in the previous EU funded project TDMEP, were in several cases unaware of the main outputs of TDMEP, and showed availability and eagerness to participate in the next trade enhancement programme within the area of their respective competencies. Actions specifically targeting such agencies should be planned in order to bring them up to speed on industrial and trade policies.

Besides the capacity building offered by previous programmes, **MoTI still needs to further strengthen and hone its capacities to negotiate and implement favourable trade agreements.**

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<sup>7</sup> EU funded TVET program in Egypt, EU regional project Switch-med and Creative industries, EBRD program to support greening the industry in Egypt.



### Structural impediments to competitiveness and growth

The **private sector has not been sufficiently involved in the training/capacity building activities** related for example to trade remedies and quality (conformity assessment, certification, standards) to facilitate the development of domestic/regional/continental industrial value chains and better impact growth in exports. Introduce the private sector to investment in conformity assessment laboratories.

**Required technical skills of the labour force** causes an impediment to enterprise growth. Skills development can benefit a wider sharing of the fruits of economic growth once workers can be more productive and receive higher salaries. TDMEP developed a strategy and an organisational restructuring plan for the Productivity and Vocational Training Department (PVTD) of the MoTI.

Addressing the **boundaries between existing institutions and building coherence of their respective areas of responsibility** will facilitate enterprise development enabling companies to increase domestic market penetration and sustainably raise commodity exports across a range of markets where Egypt has preferential access and enjoys the benefits of proximity.

**Lack of sufficient financial mechanisms** that encourage companies of different sizes to grow: not just reliance upon the banking sector's access to incentivised interest rate loans but a menu of lending and equity investment that encourages companies to develop as they reach the growth spurt inflexion points. Furthermore, financial schemes and Business Development Services (BDS) for greening the industry are missing.

**Need for further provision of industrial zones/parks/Business Development Services/SME complexes** tailored and located for the development of sector clusters supported by incubator services that support large, medium, small and micro enterprises to grow.

**Innovation** needs to be addressed using sophisticated models that are used widely in Europe: these promote innovation generally and in specific sectors, promoting the concept but also incentivising a reduction in the risks associated with product development. Innovation can play a crucial role to establish mechanisms enabling the greening of the Egyptian industry.

### Streamlining key cross-cutting issues

TDMEP started to move private sector thinking. This resulted from investors realising that in order to sustain competitiveness they needed to move up their sector value chains and increase added value. **Yet further emphasis on environmental, social dimension and managing resilience** is needed to further address the imbalance of economic and trade policies. The current policies emphasize quantitative rather than qualitative aspects of industrial development and insert Egyptian products at the lower spectrum of international value chains.

**Gender focused development**, specifically the role to be played by women in the various sectors, should address not only their skills development but also the specific work environment favoured by women, including working mothers, so that their workforce participation can be enhanced.

Findings from gender analysis<sup>8</sup> have informed the design of this action. Although the Egyptian government has made concerted efforts to boost women economic empowerment, the data shows that there is a very

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<sup>8</sup> The gender analysis of this Action used data and information from the following studies: Sectoral Strategies of the EU-TDMEP I - Women's entrepreneurship development assessment: Egypt (ILO) – Diagnostics study of the manufacturing sector in Egypt (UNIDO) - Country and Industry Profile of Egypt (UNIDO) – Value Chain Analysis of Dates, Medicinal and Aromatics Plants

high gender gap among business ownership in Egypt. Women-led enterprises account for 9% of total business owners, as compared to a global average of approximately 30%<sup>9</sup>. Egypt has the lowest rates of women entrepreneurs among the MENA region and Sub-Saharan Africa countries<sup>10</sup>. Women-owned micro and small enterprises are smaller in size than those owned by men, with an average of 1.85 workers versus 2.12 workers<sup>11</sup>. Furthermore, there is a gender imbalance in the manufacturing sector employment in Egypt. The male employment in the manufacturing sector represents 13.5% of male total employment, while female is 5.8% of women total employment<sup>12</sup>. Egypt is lagging behind many countries as female employment in the manufacturing sector in Tunisia is 32.2%, Malaysia 16.7%, Indonesia 15.6%, Turkey 14.1%, and Morocco 11.3%<sup>13</sup>.

Key areas of intervention are involving the private sector and key institutions in working together to improve the quality of Egyptian products and therefore export performance, and supporting the GoE in its efforts of institutional reform in order to modernise the NQI and lay the ground for successful trade cooperation with the EU and other trade partners. An acceleration of the private sector's role will be essential because of the size of the required investment in conformity assessment laboratories and Conformity Assessment Bodies.

Overall, the action will aim at developing the capacity of the state to provide a conducive and predictable market environment in line with international standards and commitments (duty bearers) and empower women and men (rights holders) to access sustainable jobs. The action will also focus on addressing barriers in systems and practices to ensure more predictable and non-discriminatory conditions and rules.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action. See Annex 1 for details.

**The Egyptian citizens** are the final beneficiaries of the action. They are the **rights holders**. Egypt's population has reached 102.3<sup>14</sup> million people, which the medium estimate projects at 121 million<sup>15</sup> by 2030. The action will ensure a participatory planning and a gender sensitive approach to support women's empowerment through their insertion in the value chains (Component 2). Main stakeholders include the Egyptian Ministry of Trade and Industry (MoTI) and affiliates, the Egyptian Food Safety Authority (NFSA), ERRADA, the Ministry of International Co-operation (MoIC), the Private Sector (Export Councils, Industry Associations, MSME associations) etc.

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and Handicrafts in Egypt, conducted by the Women Economic Empowerment Programme (UNIDO and UN Women) – Situational Analysis of the Egyptian Cotton Value Chain (UNIDO);

<sup>9</sup> ILO (2016). [Women's entrepreneurship development assessment: Egypt](#);

<sup>10</sup> ILO (2016). Women's entrepreneurship development assessment: Egypt;

<sup>11</sup> ILO (2016). Women's entrepreneurship development assessment: Egypt;

<sup>12</sup> International Labour Organization. (2020). ILOSTAT database. <https://ilostat.ilo.org/data>;

<sup>13</sup> International Labour Organization. (2020). ILOSTAT database. <https://ilostat.ilo.org/data>.

<sup>14</sup> UN Data 17/6/2019

<sup>15</sup> *ibid*

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Objectives and Expected Outputs

The **Overall Objective** (Impact) of this action is to contribute to an improved policy framework in line with international commitments and standards and to the increased competitiveness and efficiency of the Egyptian private sector leading to higher sustained economic growth and decent job creation.

The **Specific Objectives** (Outcomes) of this action are to:

1. Improve the capacity and efficiency of the Egyptian ecosystem for enterprise development and trade.
2. Increase the participation of Egyptian SMEs in selected industry value chains.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

#### **Outputs contributing to Outcome 1 (or Specific Objective 1) related to Industrial Policy and Institutional Support**

- 1.1 Improved policy framework in line with international commitments and standards to enhance productivity and competitiveness of the manufacturing sector
- 1.2 Enhanced institutional capacity, efficiency and improved regulatory framework
- 1.3 Enhanced governance of the Quality Infrastructure

#### **Outputs contributing to Outcome 2 (or Specific Objective 2) related to Selected Industrial Clusters and Value Chains**

- 2.1 Increased competitiveness and value addition through enhanced skills and competencies
- 2.2 Increased competitiveness to ensure SMEs compliance with market access and environmental sustainability
- 2.3 Increased competitiveness through digital transformation

#### 3.2. Indicative Activities

##### Activities related to Output 1.1

- Provide institutional support to establish the Industrial Decision Support and Coordination Unit;
- Provide capacity building on policy analysis;
- Provide capacity building on the design and formulation of evidence-based industrial strategies and policies, and attendant policy instruments and policy implementation action plan.
- Establish a coordination platform for industrial policy in order to:
  - o Organize regular inter-ministerial meetings to reduce fragmentation and better coordination towards the validation and monitoring of developed policies;
  - o Facilitate regular public-private sector meetings for better collaboration and enhancement engagement of the private sector in the policy making process;
  - o These regular meetings will take place in the context of industrial development processes delivered by the PCP including the implementation of sector strategies.
- Organize study tours to selected countries to exchange knowledge and experience on governance and coordination of industry and trade policy;
- Support Public Private Dialogue, including women groups, to create consensus for drafting of the relevant Strategies, Laws and Regulations;

- Outreach and communication activities targeting various stakeholders within each of the sector strategies;
- Workshops aimed at enhancing understanding on the link between trade and gender and between trade and labour laws;
- MoTI strategic direction 2030 developed;
- Update of the sectoral strategies based on analysis of past performance.
- Establish a Monitoring and Evaluation (M&E) system to be placed within the MoTI;
- Provide capacity building to the M&E staff.

### Activities related to Output 1.2

- Strengthen sustainable institutional capacities for drafting legislation;
- Develop sustainable institutional capacity to collect and diffuse statistics on Egypt's trade in services in a timely fashion;
- Enhance capacity of the MoTI for future trade cooperation and representation in areas of common interest services, investment, sustainable development, competition, e-commerce, and geographical indications.
- Provide technical assistance to national bodies that support the adoption of national plans for innovation and technology transfer, export & investment promotion and industrial & technology parks development.
- Enhance the capacity of National Statistical Offices and government agencies to routinely produce, collect, compile, store, analyse and disseminate gender sensitive industrial and trade statistics and indicators consistent with international standards.
- Modernize statistical information systems and fill the data gaps to measure, monitor, assess and report on progress towards industry-related SDGs.
- Prepare studies with a focus on
  - o The integration of MSMEs in international trade, particularly within the strategic context of industrial sectors development and export potential;
  - o Climate change and environment architecture and its impact on trade;
  - o Other important topics such as decarbonisation of the Egyptian economy, greening production, Industry 4.0 and digitalisation in Egyptian trade and industry.
- Develop institutional capacities to foster women's participation in different industrial sectors;
- Identify and promote measures and incentives to encourage firms to employ women.

### Activities related to Output 1.3

- Provide capacity building on NQI policy development;
- Facilitate Public-Private consultation to strengthen Conformity Assessment Bodies.
- Build capacity of existing Conformity Assessment Bodies and support the development of new specialised capacity in the private sector e.g. Notified Bodies;
- Provide training and technical support for Accreditation of targeted laboratories;
- Support for the development /revision of standards to enhance the value chains competitiveness in the international market in-line with developed Technical Regulations.
- Provide technical assistance on the EU-style market surveillance.
- Establish executive authority at the MoTI to advise the Minister on progressive development of the NQI;
- Support the approval and implementation of the draft Unified National Quality Law (UNQL);

- Support drafting of the Executive Regulations of the UNQL;

### Activities related to Output 2.1

Provide integrated capacity building programme to middle and higher management of selected companies in priority value chains on Good Agricultural Practiced (GAP), Good Manufacturing Practices (GMP), Marketing and branding, quality standards, product development, market access and market surveillance;

- Practical training at factory level on best practice for quality, process improvement, resource efficiency and application of quality management and environmental standards.
- Provide technical assistance on design for innovation and product development to faster respond to market trends and to diversify product portfolio.
- Mapping and identification of potential networks and clusters within the selected value chain and support to strengthen the cooperation mechanisms between different actors involved in the value chain;
- Organize workshops and practical exchanges between value chain actors and support institutions to facilitate dialogue and fine tuning of training programmes and support provided to the value chains;
- Deliver training to unemployed youth and women to increase employability in selected value chains, in collaboration with MoTI Technical, Vocational Education and Training (TVET) system, namely its Productivity and Technical Vocational Department.
- Advance women's participation in higher value-adding employment in selected value chains in both traditionally good employers of women and in sectors where their labour force participation remains persistently low;
- Support provision of improved working conditions that could attract more female employment;
- Promote women's entrepreneurship towards value chain development;
- Work with industry leaders to identify measures and internal regulations to increase women's employment.
- Conduct training, workshops and coaching for the development and implementation of collective activities targeting value chain competitiveness and integration.
- Prepare marketing strategies for SMEs in selected value chains;
- Provide technical assistance to SMEs to promote their products on virtual market places.
- Define key regional/international trade fairs of selected value chains.
- Facilitate SMEs participation in regional/international trade fairs.
- Organize trade missions to potential export markets.
- Sustain these activities through collaboration with existing institutions.

### Activities related to Output 2.2

- Provide technical assistance on application of IT enabling technologies to support quality standards, due diligence, traceability and transparency;
  - o Deliver capacity building programme on quality and product safety requirements and their application for selected value chains to access EU markets and non-EU markets adopting EU conformity assessment;
  - o Provide capacity-building and on-site interventions on due diligence and sustainability requirements to access markets, in collaboration with EU industrial/business associations.
- Provide technical assistance on sustainable public and private Business Development Services

- (BDS) and national competencies offered to industries to comply with trade requirements;
  - Training to public and private BDS and national competencies in supporting production compliance including the enhancement of specialist bodies within the conformity assessment framework.
- Conduct mapping studies to define green business opportunities in selected value chains/regions;
  - Raise awareness of circular economy and green business opportunities;
  - Provide technical assistance to SMEs in promoting best practices in the field of circular economy and sustainable products development.
- Select and assess SMEs who will receive the support;
  - Built capacity of selected industrial SMEs in adopting technological innovations of low-carbon manufacturing technology.
- Organize conferences, seminars and workshops to create linkages to supportive financial schemes and BDS for greening industry.
- Organized raising awareness sessions on application of sustainable (green) technologies;
  - Sustained these activities through collaboration with existing institutions.

### Activities related to Output 2.3

- Organize investment promotion events on innovation, value addition and product development.
- Design and develop I 4.0 curricula for industry adoption;
  - Targeted capacity building to prepare trainers to engage and promote future industrial skills.
- Workshops on application of Industry 4.0 to selected value chains, in collaboration with pioneer EU companies.
- Workshops on digital solution adoption for selected value chains and related business opportunities for local manufacturers and new start-ups to support high tech manufacturing;
  - Suit of extension services to enable SMEs to access and integrate e-commerce;
  - Sustain these activities through collaboration with existing institutions.

### **3.3. Mainstreaming**

#### **Environmental Protection, Climate Change and Biodiversity**

**Outcomes of the Environmental Impact Assessment (EIA) screening** (relevant for projects and/or specific interventions within a project). The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

**Outcome of the Climate Risk Assessment (CRA) screening** (relevant for projects and/or specific interventions within a project). The CRA screening concluded that this action is no risk (no need for further assessment).

### Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the Action will have a gender focused development, specifically paying attention to the role played by women in the various sectors, it will address not only their skills development but also the specific work environment favoured by women, including working mothers, so that their workforce participation is enhanced. With respect to gender mainstreaming, activities will be implemented with a gender lens (aiming at gender responsive and transformative approaches). The action will focus on embedding gender in supported policy frameworks and in introducing / advocating for gender mainstreaming principles and tools. Gender mainstreamed policies and government programmes may have transformative impact on the lives of women and girls in Egypt. The action will consider increased opportunities for women entrepreneurs and employees to benefit from capacity building activities.

### Human Rights

Component 1 represents a good opportunity to deepen the dialogue with Egypt in important areas such as **consumer protection**, product quality and carbon footprint with regard to the NQI Law, privacy and a **rights-based approach** concerning the support to trade negotiations. **Environment and gender mainstreaming** will be incorporated in the sectoral industrial strategies.

Component 2 is devised to open the way for integration of the action into other actions managed by development partners in which relevant SDGs and mainstreaming are already addressed, promote projects inserted in regional/international value chains, and encourage further dialogue on cross-cutting issues.

### Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0.

### Other considerations if relevant

This intervention contributes primarily to the progressive achievement of Egypt Vision 2030 and to SDG8 (Decent Work and Economic Growth), SDG9 (Industry, Innovation and Infrastructure), SDG12 (Responsible Consumption and Production). Other significant SDGs are: SDG1 (No Poverty), SDG17 (Revitalise Global Partnerships for Sustainable Development).

## 3.4. Risks and Lessons Learned

Category <sup>16</sup>	Risks	Likelihood (H/M/L)	Impact (H/M/L)	Mitigating measures
3	Lack of political buy-in and continued commitment by the GoE.	L	L	Activities need to be designed so that achievement of agreed reforms unlocks further Technical Assistance (TA) and capacity building activities; this will be reflected through the GoE's ongoing commitment to implementing the PCP. This will include TA towards adoption of the NQI Law and delivery of its Executive Regulations.
3	MoTI and other affiliated entities unwilling to increase linkages with the private sector and to	M	M	The activities need to be structured to ensure direct interaction with the private sector even in the case of lack of effective co-operation by some agencies. This

<sup>16</sup> Categories of risks: 1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information

	integrate the concerns of the business community and cross-cutting issues in policy definition, and in tools of interaction with them.			must be undertaken in the context of an updated MoTI Strategy directly related to the actions of the PCP to which all MoTI institutions are committed, as well as relevant non-MoTI institutions. This is well reflected in both expected results, indicative activities and logframe agreed upon with the MoTI itself.
3	Limited internal co-operation within the MoTI and with other Ministries/Agencies, and willingness to share relevant information openly and in a timely manner with the Project Steering Committee.	<b>M</b>	<b>M</b>	Effective communication and feedback needs to be established with senior decision makers in GoE hierarchy at Prime Minister Office (PMO) level. The Office of the Minister is represented in the Steering Committee as well as having full access to the PCP cross-Ministries National Coordination Body, chaired by the Prime Minister or their proxy, the Minister of Trade and Industry.
2	Effective co-ordination between the various donors/partners working with the GoE over the duration of the project.	<b>M</b>	<b>M</b>	Main development partners such as EU, USAID and United Nations Industrial Development Organization (UNIDO) are well aware of current efforts; Coordination with other development partners will be ensured by implementing partner.
2	Changes in the highest levels in the Public Administration or turnover of staff involved in the planned activities.	<b>M</b>	<b>M</b>	Most capacity-building activities need to be directed to the Private Sector, and closely aligned with building government institutional capacity relevant to business environment reforms and to supporting institutional solutions where there is market failure.
3	Sustained political will at a high level, within the MoTI, to implement the trade and industrial policy reforms and to support the project.	<b>L</b>	<b>L</b>	MoTI has a clear mandate and is committed to the objectives of the project, which are aligned with MoTI sectoral policies and the PCP signed by the Prime Minister in April 2021. MoTI has shown commitment to the priority areas of this project throughout the formulation period. Ongoing EU support to MoTI is fully in line with this action.
1	Lack of interest of the Private Sector to the implementation of the actions.	<b>L</b>	<b>L</b>	The activities need to be chosen in agreement with Private Sector stakeholders and target beneficiaries already on the market and needing to upgrade their quality and international competitiveness in order to address market access challenges. These mitigations are in-line with the PCP formulated with the Private Sector.
2	Delays in implementation due to security clearances required for experts	<b>M</b>	<b>M</b>	The security clearance for the experts will be sought in advance to ensure there is no major delay in the activities. Implementing partner has a full team working already within the premises of the MoTI.



1	Negative impact ensuing from the Russia's war of aggression against Ukraine in Semester 1 2022	M	M	The action's support to the MoTI capacities and in the agricultural and food sector value chains could help in offsetting the expected negative impact on Egypt of Russia's war of aggression against Ukraine.
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### Lessons Learned:

- Need to support reforms from the highest level of authority to ensure buy-in from numerous Ministries and related agencies: it is not possible to introduce overarching reforms by supporting only one Ministry or one Agency. The highest competent level of authority needs to be involved in the design and rationale of the reform and own the process and outcomes. The implication is that the Action needs to support several Ministries and Agencies under the Office of the Prime Minister.
- Important to involve the private sector from the early stage of policy dialogue: the private sector and Egyptian economic operators are the final beneficiaries of this Action. Both Action subcomponents will directly involve the private sector and structured public private dialogue will be further developed.
- Activities need to be selected to maximise exposure to cross-cutting issues.
- Support should include adequate capacity building measures focused directly on the private sector, and these measures should take into account the opportunity to also provide capacity building to the public sector in areas which are in the process of reform and where the private sector can be directly involved.
- The action will build on lessons drawn from a package of completed Twinning projects with a focus on ACAA priority sectors with three key NQI entities, namely the Egyptian Accreditation Council, the Egyptian Organisation of Standards, and the Egyptian National Institute of Standards.

### Assumptions:

- The GoE intends to pursue its declared policies of structural reforms, export and investment-driven industrial growth.
- The Prime Minister Office remains committed to the reform of the Egyptian domestic market and modernisation of the NQI, enabling increased market access to Egypt's partners.
- The MoTI, ERRADA, the NFSA, EGAC and other agencies are committed to capitalising on new trade opportunities generated by trade and NQI reforms.
- The Private Sector is interested and willing to step up their practices and operations in order to improve export opportunities through enhanced productivity and international competitiveness.
- Modernisation of NQI and trade/domestic market reforms generate benefits to Egyptian consumers and better jobs opportunities, mitigate environmental impacts, ensure product safety, and ease consumer protection challenges.

### 3.5. Intervention Logic

The underlying intervention logic for this action is that

**Component 1** of the action will focus on the policy framework and institutional support needed by the Egyptian Government to meet its priorities on industrial growth and modernisation, investment and exports,

as reflected by the Egypt Vision 2030, the 2016-2020 MoTI Industrial Strategy, the five Sectoral Industrial Strategies already elaborated and the GoE's Programme for Country Partnership. Component 1 will also address capacity needs to facilitate and implement trade and industry enhancement, in line with Egypt's eagerness to advance dialogue with the EU and its regional/continental neighbours including in the framework of the African Continental Free Trade Area (AfCFTA) to achieve deeper economic and market integration.

**Component 2** will focus on strengthening the capacities of the private sector to better contribute to, and benefit from, the institutional priorities addressed under **Component 1** to further contribute to Egypt trade expansion, its integration in the world economy and increased access to domestic/regional/continental/global value chains. **Component 2** will also include activities to **ensure the link** between relevant public and private sector stakeholders.

The activities under both components will contribute to increased product standards and quality of exports, offer **good opportunity for mainstreaming youth, gender and environment** within the industrial clusters, and lay the groundwork towards fulfilling the requirements for regional market integration and further trade negotiations in the targeted sectors. Moreover, the action will support sustainable institutional reform, which will help further advance trade deepening with the EU and other trade partners.

### **3.6. Indicative Logical Framework Matrix**

Results	Results chain	Indicators	Baselines	Targets	Sources of data	Assumptions
Impact	To contribute to an improved policy framework, which is in line with international commitments and standards and to the increased competitiveness and efficiency of the Egyptian private sector, which will lead to higher sustained economic growth and decent job creation.	<ul style="list-style-type: none"> <li>- Increased share (%) of the manufacturing value added in GDP</li> <li>- Declined (%) in greenhouse gas emissions from the industry sector</li> <li>- Carbon intensity (%) reduced</li> <li>- Reduced (%) of industrial waste</li> <li>- Higher proportion (%) of the added-value of medium and high technology industries in the total value added</li> <li>- Increased manufacturing value added per capita</li> <li>- Increased manufacturing employment as a proportion (%) of total employment (disaggregated by gender and age)</li> <li>- Increased proportion (%) of small-scale industries in total industry value added</li> </ul>	Baselines to be established during the inception phase.	Targets to be established during the inception phase.	Official Publications	Not applicable
Outcome 1	Improved the capacity and efficiency of the Egyptian ecosystem for enterprise development and trade	<ul style="list-style-type: none"> <li>- Cumulative number of new or revised policies adopted by policymakers</li> <li>- Number of institutions established or strengthened</li> </ul>	Baselines to be established during the inception phase.	Targets to be established during the inception phase.	Evaluation report	The GoE intends to pursue in its declared policies of structural reforms, export, innovation and investment-

		<ul style="list-style-type: none"> <li>- Number of actors participating in enhanced collaboration settings</li> <li>- Number of actors gaining skills on knowledge areas related to industrial and trade policy making process</li> </ul>				driven industrial growth.
Outcome 2	Increased participations of Egyptian SMEs in selected industry value chains.	<ul style="list-style-type: none"> <li>- Number of firms with improved management practices</li> <li>- Number of firms developing new products</li> <li>- Number of new technologies developed or adapted</li> <li>- Number of actors gaining skills on GAP; GMP; innovation, green technology; circular economy; Industry 4.0</li> <li>- Value (\$) of new investments leveraged</li> <li>- Number of new standards adopted or implemented</li> <li>- Number of beneficiaries gaining skills (disaggregated by gender and age)</li> </ul>	Baselines to be established during the inception phase.	Targets to be established during the inception phase.	Evaluation report	The Private Sector is interested and willing to step up their practices and operations in order to improve quality and exports
Output 1.1 related to Outcome 1	Improved policy framework in line with international commitments and standards to enhance productivity and competitiveness of the manufacturing sector	<ul style="list-style-type: none"> <li>- Number of capacity building activities provided to the new Industrial Decision Support and Coordination Unit within MoTI</li> <li>- Number of Public Private Dialogue meetings held per year</li> </ul>	Baselines to be established during the inception phase.	Targets to be established during the inception phase.	Targeted Surveys	

		<ul style="list-style-type: none"> <li>- Number of industrial strategies and industrial policy documents updated / prepared</li> </ul>				
Output 1.2 related to Outcome 1	Enhanced institutional capacity, efficiency and improved regulatory framework	<ul style="list-style-type: none"> <li>- Number of capacity building activities provided to MoTI, its industry affiliates and national statistics bodies</li> <li>- Number of toolkits and guidelines produced and standard-setting processes set</li> </ul>	Baselines to be established during the inception phase.	Targets to be established during the inception phase.	Targeted Surveys	
Output 1.3 related to Outcome 1	Enhanced governance of the Quality Infrastructure.	<ul style="list-style-type: none"> <li>- NQI team set up at MoTI to strengthen Conformity Assessment Bodies competencies and harmonised technical regulations</li> <li>- Number of internationally recognised standards into force</li> <li>- Number of standard-setting processes supported</li> </ul>	Baselines to be established during the inception phase.	Targets to be established during the inception phase.	Targeted Surveys	
Output 2.1 related to Outcome 2	Increased competitiveness and value addition through enhanced skills and competencies	<ul style="list-style-type: none"> <li>- Number of capacity building activities provided to SMEs and SMEs networks in targeted value chains</li> <li>- Number of middle and higher management staff (disaggregated by gender and age) with increased knowledge on market trends and requirements for market access, selection of potential markets</li> </ul>	Baselines to be established during the inception phase.	Targets to be established during the inception phase.	Targeted Surveys	

<p>Output 2.2 related to Outcome 2</p>	<p>Increased competitiveness to ensure SMEs compliance with market access and environmental sustainability</p>	<ul style="list-style-type: none"> <li>- Number of safety and quality standards implemented along selected value chains</li> <li>- Number of services offered by public and private service providers</li> <li>- Number of entrepreneurs trained in quality and trade requirements (disaggregated by gender and age)</li> <li>- Number of SMEs with increased knowledge of business opportunities related to circularity and supported in adoption of green technologies</li> </ul>	<p>Baselines to be established during the inception phase.</p>	<p>Targets to be established during the inception phase.</p>	<p>Targeted Surveys</p>	
<p>Output 2.3 related to Outcome 2</p>	<p>Increased competitiveness through digital transformation</p>	<ul style="list-style-type: none"> <li>- Number of new products/services developed that are aligned and respond to digital technologies</li> <li>- Number of new I.4.0 standards developed (that are accredited by national standard body/ISO)</li> <li>- Number of institutions/firms supported with new I.4.0 standards</li> <li>- Number of trainings, workshops, seminars focused on the application of Industry 4.0 in each selected value chain</li> </ul>	<p>Baselines to be established during the inception phase.</p>	<p>Targets to be established during the inception phase.</p>	<p>Targeted Surveys</p>	

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing Agreement

In order to implement this action, it is **not** envisaged to conclude a financing agreement with the partner country.

### 4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is **60 months** from the date of adoption by the Commission of this financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this financing Decision and the relevant contracts and agreements.

### 4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>17</sup>.

#### 4.3.1. Indirect Management with a pillar-assessed entity<sup>18</sup>

This action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Solid record of co-operation in Egypt with industrial clusters and value chains, and in promoting participatory approaches.

The implementation by this entity entails the contracting and implementation of the activities related to SO1 and SO2.

### 4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

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<sup>17</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

<sup>18</sup> The signature of a contribution agreement with the chosen entity is subject to the completion of the necessary pillar assessments

#### 4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
<b>Implementation modalities</b> – cf. section 4.3	
<b>Specific Objective 1</b> “Improve the capacity and efficiency of the Egyptian ecosystem for enterprise development and trade” and <b>Specific Objective 2</b> “Increased participation of Egyptian SMEs in selected industry value chains”	
Indirect management with a pillar-assessed entity – cf. section 4.3.1	8 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	will be covered by another Decision
<b>Communication and visibility</b> – cf. section 6	N.A.
<b>Contingencies</b>	
<b>Totals</b>	<b>8 000 000</b>

#### 4.6. Organisational Set-up and Responsibilities

A **Steering Committee** will be set up in the first three month of operation of the Action to oversee and guide the overall direction and policy of the Action. It shall meet quarterly in the first year and twice a year thereafter. It could also be convened whenever the project implementation requires strategic decisions. The SC shall be chaired by the MoTI and comprise representatives of MoIC, main public and private sector beneficiaries, and a representative of the EU Delegation. The SC has the right to invite other stakeholders whenever deemed appropriate, including representatives of the private sector and NGOs.

A **Technical Committee** will be set up for each of the 2 components of the Action and shall meet every 2 months.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

### 5. PERFORMANCE MEASUREMENT

#### 5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner’s strategy, policy or reform action plan list (for budget support).



The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## 5.2. Evaluation

Having regard to the importance of the action, a mid-term and an ex-post evaluation will be carried out for this action or its components via independent consultants.

A **mid-term evaluation** will be carried out for problem solving and learning purposes, in particular with respect to the level of engagement and co-operation between the private and public sectors and the achievement of the Egyptian and EU priorities.

An **ex-post evaluation** will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the implementation modalities and involvement of several kinds of stakeholders.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least three months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

## 5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## 6. COMMUNICATION AND VISIBILITY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the requirements set out in the 2022 guidance document "[Communicating and raising EU visibility: Guidance for external actions](#)" (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to

safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.