

## Attachment 1

# Statement of Work for Egypt's Competitiveness Project (ECP)

## **I. BACKGROUND**

### **A. PURPOSE**

The purpose of the ECP contract is to provide technical assistance (and related training, grants, and commodity support) to enhance Egypt's competitiveness through regulatory reform, streamlined business processes, improved labor skills and productivity, and modernization of the financial sector under USAID/Egypt's Assistance Objective-16 (AO-16), "Conditions for Trade and Investment Improved." AO-16, in turn, supports USAID/Egypt's overall goal of promoting a globally competitive, educated, and innovative human resources based economy benefiting Egyptians equitably.

Overall, the assistance to be provided under the ECP contract will focus on strengthening Egypt's competitiveness by easing regulatory constraints, supporting innovation and entrepreneurship, improving the business enabling environment, improving labor skills and productivity and modernizing the financial sector. The key results to be accomplished under ECP are:

- Supporting the development of a conducive regulatory environment,
- Streamlined business processes in business registries and licensing,
- Improved labor skills and productivity to meet market demand, and
- Strengthened financial sector including improving access to finance for Small and Medium Enterprises (SMEs).

### **B. EGYPT'S COMPETITIVENESS**

The climate for economic growth and investment in Egypt has improved since the GOE took on a structural reform agenda initiated in 2004. The IFC - World Bank Doing Business reports for the past four years have placed Egypt among the top reformers worldwide. As a result of strong reforms made by the GOE, net FDI increased 87 percent in 2007 and another 10 percent in 2008. Global recessionary effects reduced FDI by 30 percent in 2009 to \$8 billion, still well above annual FDI levels of around \$1 billion before 2004.

The reforms improved Egypt's ranking in the Doing Business Report from 164 in 2005 to 106 this year. Areas of success cited in the reports include trading across borders, customs, starting a business (abolished/reduced minimum capital requirement, ease of obtaining construction permits and licenses), fiscal reforms, one-stop shops, building regulations, ease of enforcing contracts, specialized commercial courts, consumer protection, commercial registration and property registration, and financial reforms in banking, insurance, mortgage and capital markets. USAID has supported the GOE comprehensively over the last four years in all of these areas through the Technical Assistance for Policy Reform II (TAPR II) Project and the Egyptian

Financial Services Project (EFSP).

Egypt's ranking in the World Economic Forum's most recent Global Competitiveness Report has also improved, jumping from 81 to 70 in 2009/10, out of 133 countries. However, Egypt ranked 127<sup>th</sup> out of 133 countries in 'labor market efficiency.' The report also lists 'inadequately educated workforce' as one of the most problematic factors for competitiveness. The mixed results highlight several key constraints to employment growth, export growth and poverty reduction, which are; the mismatch of labor market skills with private sector needs, and unnecessary government regulation on businesses. Accordingly, with official unemployment approaching 10 percent, the GOE has recently included the labor market and the reduction of unemployment in the forefront of its development agenda.

The GOE also started financial sector reform in 2004 in a bid to address inadequate capitalization and poor asset quality, focusing initially on consolidation and privatization, and reducing non-performing loans. Highlighting its lack of a developed and globally connected financial system, Egypt avoided some of the worst effects of the global financial crisis with real GDP growth in 2008/09 remaining relatively strong at 4.7 percent. In the wake of the crisis, recent GOE reforms have centered on improving the financial regulatory framework and modernizing the financial system. With USAID support, the GOE recently combined all non-bank financial supervisors into a single regulator under the Egyptian Financial Services Authority (EFSA), which will lay the regulatory foundation for the non-bank financial sector.

### **C. PREDECESSOR ACTIVITIES**

USAID started its technical assistance to the GOE for Egypt's economic transition to a private sector led model in the early 1990s. Assistance has been delivered through a number of projects with scopes covering trade, intellectual property rights (IPR), insurance, customs, taxes and fiscal policies, privatization, monetary policy, laws and regulations, banking, trade facilitation, commercial law, credit, small and micro enterprises, agricultural policy, water policy, information and communications technology, capital market development, policy advocacy, and macroeconomic foundations.

#### **Technical Assistance for Policy Reform II (TAPR II) – October 2005 to October 2010**

TAPR II activities included the following areas and tasks;

- **Trade Environment:** trade border measures, standards, customs law and regulations, tariff classifications training, new customs national information system.
- **Financial Sector Reforms:** assist the Central Bank with retail payments, the accreditation of the Egyptian Banking Institute, assist in the design/implementation and capacity building of the Egyptian Financial Supervision Authority for all non-banking supervision (insurance, capital market, mortgage finance, financial lease, and microfinance companies), assist the establishment of a non-banking financial institute, and develop strategic/business plans for the pension scheme.
- **Macroeconomic Stability:** assist in the implementation of the integrated tax administration system, assist in the completion of integrated tax centers nationwide, and implement an integrated tax management administration system nationwide.

- **Enabling Environment for Business:** assist the Egyptian Patent Office in implementing its action plan, train judges and prosecutors on IPR, assist in copyrights enforcement, assist in commercial law reforms including several laws, assist the establishment of the Consumer Protection Agency, assist the establishment of the Competition Authority, and assist training of economic courts' judges.
- **Facilitating Services for the Private Sector:** assist the establishment of the Smart Services Business Center in Alexandria to provide permits and licenses, initiate regional regulatory reform process in Cairo, support the Egyptian Regulatory Reform Activity to catalog and eliminate unneeded laws and regulations, support the Egyptian National Competitiveness Council to develop a national strategy, and support the commercial registry.
- **Program Support:** verify accomplishments in the financial sector policy benchmarks, and carry out specific economic studies on key issues including subsidies, housing and post privatization.

### **Egyptian Financial Services Project (EFSP) – November 2004 to July 2010**

EFSP activities included the following areas and tasks;

- **Primary Market:** Build the capacity of the newly created Mortgage Finance Authority (MFA) to efficiently regulate a new and growing mortgage market; train market professionals and enhance the capacity of mortgage associations.
- **Property Registration:** Support the Ministry of Justice (MOJ) in simplifying and streamlining property registration procedures to promote registration of properties and facilitate mortgage loans against those properties.
- **Secondary Market:** Assist the Capital Market Authority (CMA) in introducing new financial instruments that will help in developing secondary markets for mortgages.
- **Credit Bureau:** Assist the Central Bank of Egypt (CBE) in amending the banking law to allow for the creation of the first credit bureau in Egypt.

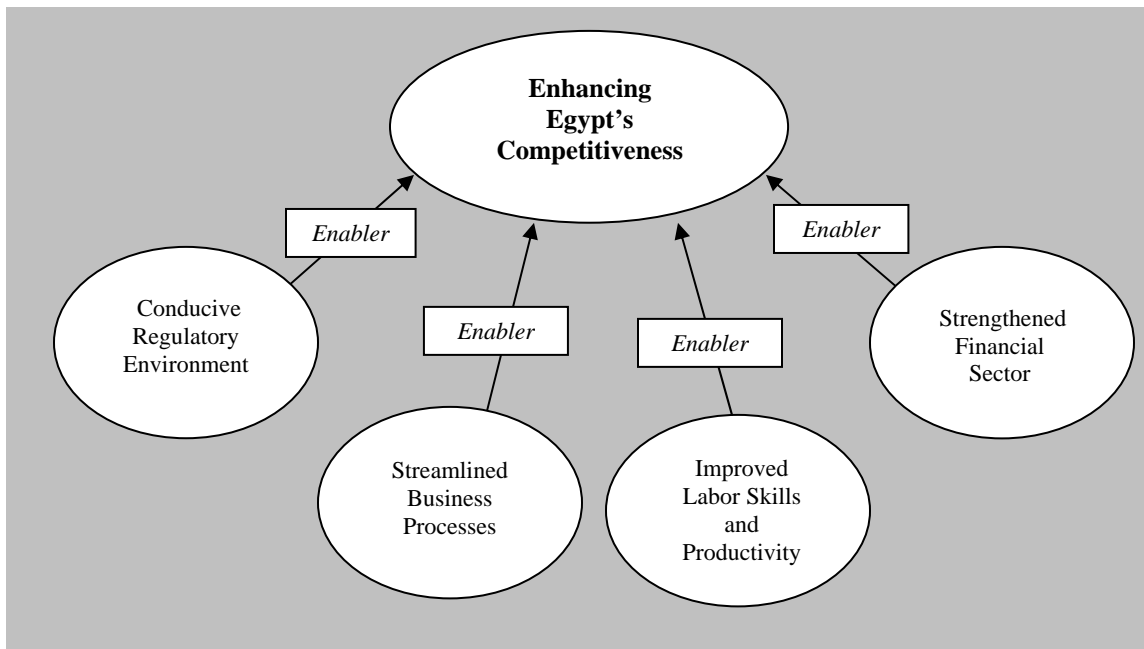
More information on AO-16 assistance related to TAPR-II, EFSP and other USAID funded projects can be found at <http://www.usaideconomic.org.eg/>.

## **II. OVERVIEW OF RESULTS AND TECHNICAL APPROACH**

### **A. OVERVIEW OF RESULTS**

The main goal of the project is to assist the GOE in enhancing economic and financial competitiveness through regulatory reform, streamlined business processes, improved labor skills and productivity, and a strengthened financial sector under USAID/Egypt's Assistance Objective 16, "Conditions for Trade and Investment Improved", which in turn supports USAID/Egypt's overall goal of promoting a globally competitive, educated, and innovative human resources based economy benefiting Egyptian equitably.

The economic challenge confronting the GOE is to broaden the base for sustained economic growth in the medium term. Broad based growth must include job creation and increase poor households' share of the economic benefits of growth. Improving business competitiveness leads to increased productivity and job growth while reducing poverty, especially as small businesses benefit from such reforms. The four keys to the improvement of Egypt's competitiveness and attaining broad based growth; improving the regulatory environment, streamlining business processes, matching labor skills with private sector needs and strengthening the financial system, including improved access to finance. The contractor's tasks are grouped into the following results which will constitute the contract components. These results are detailed in Section III.



#### **Result A: Conducive Regulatory Environment** through:

1. Broad regulatory reforms.
2. Commercial law reforms, fiscal reforms and budget transparency, fiscal decentralization, and investment policies.

#### **Result B: Streamlined Business Processes** through:

1. Simplified Business Processes including unified registry (exporters/importers registry, commercial registry, industrial registry, and agent registry).
2. Ease of doing business improved through the creation of centers for permits and licenses.
3. Support to the Egyptian National Competitiveness Council (ENCC) which will include development of competitiveness strategy developed for key sectors, such as tourism, higher education, and agro-industries.

**Result C: Improved Labor Skills and Productivity** through:

1. Improve skills to market through vocational and technical training.
2. Promote entrepreneurship activities.
3. Support developing a PPP for the new Cairo International University.

**Result D: Strengthened Financial Sector** through

1. Support for Egyptian Financial Supervisory Authority and the development of a regulatory framework for insurance, mortgage, capital markets, financial lease, factoring, and microfinance companies.
2. Improved regulatory framework for the pension system in Egypt.
3. Improved access to finance for SMEs.

**B. TECHNICAL APPROACH**

USAID's technical assistance programs have achieved important results in the area of competitiveness in recent years. The ECP is focused on filling gaps and ensuring sustainability of previous assistance while beginning focused new work in key priority areas for USAID and the GOE. The ECP contractor will organize each major task under the four results areas which constitute the four components described below with their objectives, expected results and deliverables.

The ECP contractor will put in place a management structure that provides oversight of all contract results to maintain consistency between the four results, share lessons learned, achieve economies in implementation, and report achievements in a coherent framework.

The contractor's role is to assist the Egyptian counterparts relevant to each result and task. The contractor shall interface with a diverse group of public, private and non-government institutions and organizations. However, the primary GOE counterparts for the program will include:

- Ministry of Finance (MOF),
- Ministry of Investment (MOI),
- The Egyptian Financial Supervisory Authority (EFSA), and
- Ministry of Trade and Industry (MFTI), and others.

Other ministries, local universities, NGO's and private sector will also be involved in the implementation of the ECP.

Technical assistance mechanisms **may include, but are not limited to**, the following:

- Technical assistance to the GOE in developing capacity and institutional strengthening.

- Carrying out studies and analyses to help plan, support and monitor activities aimed at improving the economic policy framework.
- Assisting, planning, and executing in-country and off-shore training activities, including seminars, conferences and workshops.
- Private sector and NGO program support grants to both U.S. and Egyptian recipients. This may include issuing, managing and implementing grants in relevant areas described under Section III.
- Procurement of commodities and equipment.
- Preparation and dissemination of documents, translation and publications.
- Monitoring and evaluation of performance using the Performance Plan and Report (PPR) and Strategic Framework, Performance Monitoring Plan (PMP) Indicators.

### **C. LINKS TO USAID/EGYPT’S STRATEGIC FRAMEWORK AND OPERATIONAL PLAN**

All four Results under this SOW will contribute to the achievement of the USAID Assistance Objective 16, “*Conditions for Trade and Investment Improved*”, which supports USAID/Egypt’s overall goal of promoting a globally competitive, educated, and innovative human resources based economy benefiting Egyptian equitably. The AO 16 Intermediate Results are:

- Financial Sector Modernized
- Trade and Investment Policy and Regulations Improved
- Competitiveness of Natural Resources Based Industries Increased
- Workforce Skills in Critical Sectors More Responsive to Market Demand

### **D. OTHER DONORS**

It is highly recommended that the ECP contractor coordinate and complement other donors’ work in areas related to the four results of conducive regulatory framework, streamlined business processes, improved labor skills and productivity, and strengthened financial sector. Other donors include the World Bank, European Union (EU), the German Cooperation Agency (GTZ), the International Labor Organization (ILO), the Canadian International Development Agency (CIDA), and the International Monetary Fund (IMF).

## **III. PROJECT RESULTS**

### **RESULT A : CONDUCTIVE REGULATORY CLIMATE**

**A.1. SUPPORT FOR REGULATORY REFORM:** With USAID assistance, the GOE launched the Egyptian Regulatory Reform Activity (ERRADA) in twelve ministries to catalog, review and eliminate unneeded business-related regulations and laws. The ECP contractor will work to expand ERRADA (which is led by the GOE) into additional ministries and governorates, with the goal of creating a low-cost low-risk regulatory environment for trade and investment. Assistance will be provided in the following areas:

- Expansion of ERRADA into additional ministries (such as Justice, Manpower, Education and Environment) and additional governorates (such as 6<sup>th</sup> of October, Fayoum and Red Sea Governorates).

- Implementation of the Regulatory Impact Assessment (RIA) mechanism to review all new laws and regulations before issuance to assess the impact on the economy and economic stakeholders. This task will include assisting in the implementation of the RIA with participating ministries and governorates.
- Ensuring sustainability by institutionalizing ERRADA in the GOE organizational structure as a permanent entity.

**Expected Results:**

- Improved low-cost low-risk regulatory environment.
- A sustained regulatory system is established.

**Deliverables:**

- Inventory for each new ministry and new governorates of all laws and regulations pertaining to the relevant entity.
- Effective RIA system for new laws and regulations
- Progress report on the additional ERRADA ministries and governorates fully describing detailed achievements.
- ERRADA expanded in additional ministries and governorates.
- RIA implemented.

**A.2. SUPPORT FOR COMMERCIAL LAWS, FISCAL REFORMS, AND INVESTMENT POLICIES:**

Previous USAID assistance to the GOE has led to important commercial and fiscal reforms such as sales and corporate tax policy and administration, consumer protection, treasury single account, and assisted in drafting some laws such as the competition law and the corporate tax law. The ECP contractor shall further support the GOE in developing commercial laws and supporting reforms in budget transparency, fiscal decentralization, tax policy, and both investment and industrial policies. Assistance will be provided in the following areas:

- Support drafting commercial laws and executive regulations which may include, but not limited to:
  - The unified companies law and its executive regulations
  - The amended intellectual property rights law and its executive regulations
  - The amended competition law and its executive regulations
  - The bankruptcy law and its executive regulations
  - The unified investment law and its executive regulations
  - The value added tax and its executive regulations
  - The organic budget law and its executive regulations
  - The industrial development law and its executive regulations.
- Assist the Egyptian Competition Authority in addressing competition issues and in strengthening the capacity of its staff in analyzing cases.
- Assist the Egyptian Tax Authority in developing a new Value Added Tax system to replace the General Sales Tax.
- Support the implementation of fiscal decentralization and budget transparency activities.
- Assist the Egyptian Consumer protection Agency in improving its procedures and public awareness to support the NGOs and the consumers.

- Assess the National Industrial Development Strategy (NIDS) based on relevant studies and international best practices in industrial policy, and update the strategy.
- Develop an overarching roadmap with recommendations to implement the strategy.
- Assist in developing proposals for restructure of the legal and institutional framework for industrial development in Egypt.

**Expected Results:**

- Improved commercial laws.
- Improved fiscal sector in areas of fiscal decentralization, and budget transparency.
- Consumer protection NGOs in pilot governorate(s) play a strong role in public education.

**Deliverables:**

- Copies of draft and enacted laws and its executive regulations for the above-mentioned commercial laws.
- Manuals and procedures drafted, approved, and adopted in the CPA.
- At least four NGOs are implementing annual work plans in their governorates.
- Draft of public awareness plan to be adopted by the CPA.
- NIDS update
- A roadmap for the amended NIDS
- A review of the draft Industrial Development Law and recommendations

**RESULT B: STREAMLINED BUSINESS PROCESSES**

**B.1. UNIFIED BUSINESS REGISTRY:** In December 2008, the Ministry of Trade issued a decree to unify the business registries (commercial, industrial, agent, and export and import) in the Ministry. USAID has assisted the GOE in the development of an IT system to unify the registries, in addition to other technical assistance and training programs.

USAID started its efforts to assist GOE in the modernization of the registration system in mid-2007. In order for the registry system to deliver e-services, and satisfy the dual goals of providing services to the commercial registry (CR) customers while helping the CR offices become modern and efficient, several high level functions were required. The system tracks all cases from the time a pre-reservation of a trade name is started until the final registration is completed. Development of the unified IT system was a priority task under TAPR II, as massive efforts were exerted to assess the four existing registries and decide on the components of the IT system. The new system will be installed in March 2010. To further support the unified commercial registry assistance will be provided in the following areas:

- Assessing the remaining needs including; further institutional development, training, technical assistance regarding procedures, manuals, regulations, and public awareness.
- Drafting an action plan to finalize the work in the unified registry including; the roles and responsibilities of both the GOE and USAID.
- Starting implementation of the specific tasks after agreement is reached on the action plan.

**Expected Results:**



- A fully functional and computerized Unified Registry in most governorates.
- All the commercial registry automation system connected in all offices.
- All businesses able to register their activities (industry, commercial, export and import) in one place, including connection of taxes with unified registry.

**Deliverables:**

- A survey of the remaining needs for the unified registry to be fully operational meeting international standards.
- Implementation of the approved action plan including training programs, technical assistance and public awareness events.
- A total of 21 offices completed and ready for operation with the new unified system.

**B.2. EASE OF DOING BUSINESS:** Although there have been strong results in measures taken to reform business processes in recent years, there is still need to improve the business licensing process, particularly for small and medium enterprises. One of the recent successes in this area is the Smart Services Business Center (SSBC). The SSBC was established with USAID support by the Governorate of Alexandria in April 2007 to improve Governorate to Business services through: a) providing a customer centered facilitation approach to the delivery of Government licensing/compliance and other services, b) providing services with complete information and transparency, and c) reducing the regulatory burden that licensing/compliance represent, through systemic reform.

The successful experience of the SSBC in reducing the processing time for licenses and creating an environment of mutual trust with customers encouraged the Cairo Chamber of Commerce to establish the Tamayouz Center in Cairo, building on the SSBC model but including a wide range of other services needed by traders. Starting September 2009, USAID expanded the assistance provided to the SSBC to include regulatory reform by: a) inventorying existing regulations, b) reviewing and eliminating regulations that are not business friendly, and c) establishing a regulatory impact assessment (RIA) mechanism for future regulations. The inventory and review phases are expected to be completed within the duration of TAPR II.

Based on these successes, the GOE plans to replicate the SSBC model, including the regulatory reform component, in other key governorates to have a multiplier effect on the business environment and the competitiveness of enterprises. The Governor of Cairo has already expressed strong commitment to regulatory reform and requested USAID assistance in the GOE led rollout of the SSBC model. Other potential governorates include Sixth of October and Ismailia. Assistance will be provided in the following areas:

- Preparing an assessment of the requirements of Cairo governorate and a work plan to address these needs, including the feasibility of a regulatory reform component in Cairo governorate. Implement assistance identified in the assessment.
- Working with the GOE to select two additional governorates to replicate the SSBC model.
- Assisting in roll out of the SSBC model in these two governorates, including regulatory reform component.
- Providing formal training, on the job training, and technical assistance to the established centers at these governorates to streamline licensing procedures and establish business

friendly and transparent services.

- Completing the remaining phases of the regulatory reform component in Alexandria.

**Expected Results:**

- Reduction in the time to issue licenses in the selected governorates.
- Establishment of a RIA mechanism in Alexandria and the other selected governorates.
- Increase in business operations in the selected governorate.

**Deliverables:**

- Assessments of the needs of Cairo governorate and the two additional governorates.
- Work plans and strategies for the three governorates.
- Training plans.
- Inventory of decrees related to business operations, a review of these decrees, and a RIA strategy for the governorates.

**B.3. SUPPORT FOR NATIONAL COMPETITIVENESS:** Support for Egypt’s national competitiveness will focus on improving competitiveness in key sectors, and providing support for the Egyptian National Competitiveness Council (ENCC). USAID has supported the ENCC for the past six years. The ENCC issues annual reports promoting competitiveness of the Egyptian economy, but is also tasked with developing an overall national competitiveness strategy for the Egyptian economy. The Minister of Trade and Industry is leading the effort to increase Egypt’s competitiveness in key sectors such as tourism, agro-industry, and higher education. Assistance will be provided in the following areas:

- Assisting the ENCC to become sustainable.
- Assisting the GOE with the development and implementation of a national competitiveness strategy.
- Assisting the GOE and the ENCC to develop specific plans to promote competitiveness of key sectors and in implementing these plans.
- Supporting the GOE and ENCC in the implementation of the business advisory council (BAC) review of the Egyptian Regulatory Reform Activity (ERRADA).
- Assisting the ENCC develop its annual assessment of Egypt’s competitiveness.

**Expected Results:**

- Key recommendations of the Competitiveness Strategy implemented.
- Improved competitiveness rank in tourism, agro-industry and higher education.

**Deliverables:**

- An action plan to implement the national competitiveness strategy.
- Annual competitiveness reports issued.
- Key recommendations of the national competitiveness strategy implemented
- Strategies and Action Plans for agro-industry, tourism and higher education competitiveness.
- A well established business advisory council to review business regulatory environment.
- A report on Egypt rank on the global competitiveness index

- A report of Egypt rank in the tourism, agro-industry and higher education

## RESULT C: IMPROVED LABOR SKILLS AND PRODUCTIVITY

**C.1. IMPROVED SKILLS TO MARKET:** The GOE technical and vocational education and training system suffers from: a) inability to raise sufficient funds, b) low quality of teachers, and c) inadequate curricula that are not related to the needs of the market. In addition, vocational graduates, who constitute around 60 percent of secondary school graduates, are more likely to be employed in the informal sector as they lack the skills required by formal enterprises.

The mismatch between labor skills and market demands has been identified as a key constraint not only to competitiveness, but to job growth and poverty reduction. This task seeks to ease this constraint by improving vocational training and linking it directly with private sector needs. USAID has done some preliminary work in this area under TAPR II, in the form of an assessment on vocational training supply and demand, and a preliminary assessment of viable productive sectors to be targeted for future vocational training initiatives. The ECP contractor will move ahead with the selection of target sectors, private sector partners, and the development of a training strategy in collaboration with key stakeholders, with special attention to program sustainability and cooperation with other donors, the private sector, international organizations and others as joint activities will constitute an important part of this activity. Assistance will be provided in the following areas:

- Identifying best practices in targeting skills to market initiatives, including reviewing approaches taken by other donors in Egypt, such as the German Mubarak-Kohl initiative and the TVET activities of the EU.
- Identifying target sectors and/or geographic areas that will constitute the focus of the activity, based on criteria to be developed by the ECP contractor.
- Assessing the need for upgrades at the Ministry of Manpower (MOM) training centers, including the viability of establishing a training center of excellence for testing and accreditation at MOM.
- Developing and implementing a training strategy that identifies targeted training institutes for capacity building.
- Designing a mechanism to follow up on the performance of students after completing the training to measure effectiveness of the training in terms of securing employment opportunities and improving productivity for on-the-job training.
- Developing a sustainability action plan and criteria for continuation of the activity by the GOE, parastatals, private employers, and local training providers and institutions.

### **Expected Results:**

- Improved labor skills in targeted industries.
- Increased employment rates of graduates of vocational training.
- Improved quality of education in selected technical schools.

### **Deliverables:**

- Report on best practices of targeting skills to market.

- A training strategy for technical and vocational education
- A sustainability action plan and criteria for continuation of the TVET activity by the GOE, private employers, and local training providers and institutions

**C2. DEVELOPING ENTREPRENEURSHIP SKILLS:** In the 2008 Global Entrepreneurship Monitor, Egypt ranked last of 31 countries on ‘education and training.’ ‘Lack of entrepreneurial training’ and ‘inadequate access to finance’ were among the top three areas cited constraining entrepreneurial activity in Egypt. While overall economic growth in Egypt has been strong in recent years, the effects on job growth and poverty reduction have been slow. Private sector development focused on incrementally improving micro, small and medium sized businesses and entrepreneurs will have a more direct impact on pro-poor growth, job creation and poverty reduction. This effort to encourage entrepreneurship skills development builds on years of support USAID has provided in improving the business enabling environment to decrease administrative costs of entrepreneurship.

**C2.a. SUPPORTING ENTREPRENEURSHIP IN EGYPT (SEE):** Promoting entrepreneurship is a vital element of the Obama Administration’s foreign policy. Egypt will be one of the pilot countries for the administration’s new Global Entrepreneurship Program (GEP) targeted towards Muslim-majority countries to be announced in April 2010 at the Entrepreneurship Summit in Washington. GEP/Egypt is a multi-faceted, interagency approach to facilitate partnerships and create links between entrepreneurs and entrepreneurship organizations, mentoring, skills development, access to finance and other entrepreneurship resources.

SEE will be a team of 3 to 4 individuals headed by a Lead Entrepreneur devoted to supporting entrepreneurship and GEP/Egypt and possibly housed within a local business organization, to be determined by USAID/Egypt at a later date. The SEE team is built around the Lead Entrepreneur who will serve as a catalyst to promote entrepreneurship. The ECP contractor shall work with USAID/Egypt to hire and staff the SEE team. Candidates for the Lead Entrepreneur position will be provided by USAID/Egypt after the award of this contract. Illustrative tasks will include:

- Foster in-country relationships with schools, science and technology institutes, business and industrial associations, and other organizations to identify, mentor and support promising entrepreneurs.
- Improve entrepreneurship and business skills among its clients.
- Increase access to finance for entrepreneurs by identifying existing funding bodies, which may include SME credit guarantees and SME investment funds supported by USAID, and linking those sources to entrepreneurs.
- Improve public awareness of business development services, training and academic opportunities for entrepreneurs, and financial resources.
- Promote the long-term viability of the broader initiative to foster entrepreneurship in Egypt, with a particular focus on sustaining the programs and activities of the SEE team.
- Coordinate with USAID/Egypt’s broader entrepreneurship program.
- Support developing venture capital and potential funding sources for entrepreneurship activities in Egypt

**C2.b. DEVELOPING ENTREPRENEURSHIP SKILLS:** A second important sub-component of this task pertains to the development of young entrepreneurs. Building entrepreneurship skills is vital to a vibrant market economy and is an important means of encouraging innovation and reducing

unemployment and poverty. With this in mind, the Ministry of Investment (MOI) is developing a training program for university students and young graduates focused on entrepreneurial and finance skills. The main objective is to provide participants with practical entrepreneurial skills, experiences, and financial tools to help them start their own businesses. The ECP contractor will assist in the formulation of a national strategy for corporate social responsibility (CSR) to increase the demand for entrepreneurial skills and encourage social entrepreneurship. Assistance will support entrepreneurship skills development in the following areas:

- Design and implement a comprehensively tailored entrepreneurship program for university students and young graduates to provide them with real-world entrepreneurial skills that will help them start their own businesses.
- Encourage the business sector to adopt and enhance entrepreneurship concepts through the implementation of the CSR national strategy and coordination with relevant stakeholders, including implementing a Young Entrepreneur Scholarship program.
- Assist in developing and streamlining policies and regulations that promote entrepreneurship activities in Egypt.
- Support entrepreneurship regulatory entities to strengthen entrepreneurship activities in Egypt.
- Coordinate with NGOs and private sector firms to implement Egypt's broader entrepreneurship initiative.

#### **Expected Results:**

- Improved connection and coordination between local entrepreneurship organizations, universities and research organizations.
- Improved mentoring opportunities for entrepreneurs.
- Improved access to finance for entrepreneurs, which may include the establishment of an locally based angel investment fund and mobilizing CSR.
- Improved entrepreneurship legal environment in Egypt
- Improved entrepreneurship capacity and business development in Egypt.
- 300 young prospective entrepreneurs graduating from the EP.
- At least 100 graduate of the EP starting their own businesses.

#### **Deliverables:**

- Establish and maintain a website as a resource for Egyptian entrepreneurs and the broader entrepreneurship ecosystem.
- A training Program for Entrepreneurship Skills.
- A Young Entrepreneur Scholarship program.
- A monitoring plan for measuring the success of the EP graduates.
- Final National Strategy for CSR formulated to enhance entrepreneurship.

**C.3. SUPPORT FOR CAIRO INTERNATIONAL UNIVERSITY PPP:** The proposed establishment of the CIU is expected to play an important role in improving the quality of higher education and encouraging competition in the sector. Technical assistance will be provided to assist Cairo University to undertake the ground work for the establishment of CIU. This will include the design of a major PPP financing model to attract private investment and know-how to deliver demand driven undergraduate and graduate education, and quality research. This activity is

consistent with the urgent need to improve private sector linkages to universities and increase autonomy in finance, curriculum, and faculty selection while promoting international exposure to faculty, staff, and students. Assistance will be provided in the following areas:

- Provide technical assistance in the design of a plan including twinning programs, research and logistics, strategic plan, and in designing a PPP financing plan, including a RFP and evaluation of bids.
- Assist in building the technical capacity of the Project Management Unit (the unit responsible for the implementation of the CIU).

**Expected Results:**

- A PPP is developed between the CIU management board and prospective investors to establish the CIU.

**Deliverables:**

- A report on the different PPP suggested models and corresponding financial analysis.
- An RFP for the PPP transaction completed and sent to bidders.

**RESULT D: STRENGTHENED FINANCIAL SECTOR**

**D.1. NON-BANKING SUPERVISION:** The People’s Assembly passed legislation in February 2009 establishing the Egyptian Financial Supervisory Authority (EFSA), a consolidated non-bank financial supervisor to regulate all non-bank financial markets including; insurance, capital markets, mortgage finance, leasing, factoring and microfinance. The law became effective and EFSA started operation on July 1, 2009. The existing three supervisors: the Egyptian Insurance Supervisory Authority (EISA), the Capital Markets Authority (CMA) and the Mortgage Finance Authority (MFA) were consolidated into EFSA. In mid June 2009, the EFSA statute was issued by the President defining its power, roles and responsibilities, and its independence.

In response to an MOI request for support, USAID supported the MOI in: consolidating the three sub-regulators (EISA, CMA, and MFA); developing its organizational structure; developing its strategy, including HR strategy; designing a training program for newly hired supervisors; and developing regulatory snapshots for all non-bank financial markets to assess compliance of regulations with international standards.

Under ECP, USAID will support EFSA in implementing its phase II (medium to long-term) plan with the goal of developing efficient non-bank financial markets and well trained supervisors and market professionals (e.g., actuaries, brokers, media etc.) Assistance will be provided in the following areas:

- Capacity strengthening of new departments.
- Assessing existing regulations using regulatory self-assessment snapshots for insurance, mortgage, capital markets, leasing, factoring and microfinance.
- Develop and implement training for EFSA staff and supervisors.
- Draft legislation and regulations that will enhance and develop non-banking financial markets.

- Apply best practices in policy development and supervision rules and procedures on capital markets, insurance, mortgage, microfinance, leasing and other areas.
- Design and implement market awareness programs for journalists and the media.
- Provide assistance for the establishment of an accredited Non-bank Financial Sector Training Institute to provide certification courses for supervisors and market professionals, including designing and implementing some of the training programs.
- Provide assistance for the establishment of an Arbitration Center as stipulated in the EFSA law for certification of arbitrators, including designing and implementing some of the training programs.
- Develop and train EFSA staff in monitoring financial market and supervision indicators.

**Expected Results:**

- Improved supervision and regulations for non-bank financial markets.
- Non-Bank Financial Training Institute established and accredited.
- EFSA Arbitration Center established and operational.

**Deliverables:**

- Training Institute business plans, org chart, and manuals.
- Arbitration Center business plans, org chart, and manuals.
- Training programs for arbitrators.
- Training programs for non-bank financial supervisors and professionals.
- New rules and regulations for non-bank financial markets.
- Market awareness workshops.

**D.2. PENSION REFORM:** The current Egyptian pension system is managed by two funds: the Government Social Insurance Fund (GSIF) for civil servants and the Private Social Insurance Fund (PSIF) for private sector and public enterprises. Due to inefficiencies of both funds and based on a comprehensive plan prepared by TAPR II for pension modernization, the MOF decided to merge the two funds and eliminate redundancies and inefficiencies in the system. The funds employ around 30,000 government employees and manage funds for over 24 million insured and pensioners. A detailed plan on the merger has been recommended by TAPR II and the MOF is currently working on fine tuning the plan.

Meanwhile, the MOF is finalizing a new pension law that should solve the financial problems and inefficiencies of the current system. Both systems will run in parallel until the current system ends with the death of the last pensioners, not expected for at least 40-50 years, although some contributors will have the option to switch to the new system. The new pension system will be based on defined contribution rather than defined benefits schemes. Individuals will have separate accounts to easily keep track of the financial situation at a given time. All pensioners will be eligible for a basic pension of about LE 100-200 per month. Finally, one entity will manage the system based on an automated pension system. Assistance for pension reform will include the following areas:

- Designing the policy framework of the new system.
- Finalizing the new pension law, and drafting its executive regulations.
- Designing and implementing training related to the modernization of the current system and

the implementation of the new system.

**Expected Results:**

- New pension system based on international best practices designed and implemented.

**Deliverables:**

- Draft laws and regulations of the new system.
- Training programs for pension professionals.

**D.3. SMALL AND MEDIUM ENTERPRISES ACCESS TO FINANCE:** Currently, SMEs make up over 70 percent of GDP, but growth for many, is constrained by limited access to finance. The GOE has taken two important recent steps to address this issue; the establishment of a fund to extend loans to SMEs, and the creation of the Nilex stock exchange for SMEs. Due to their weak corporate governance, transparency and disclosure systems, only 5 SMEs are listed in the Nilex while two are in the process of being listed. Due to the importance of SMEs for sustaining economic growth and competitiveness USAID will support the GOE efforts to design and implement SMEs programs. The contractor will implement the following tasks:

- Support designing and implementing advanced training courses in basic accounting and financial systems for SMEs.
- Support streamlining SMEs regulations to promote the formalization of SMEs.
- Provide public awareness to support existing and potential SMEs.
- Support identifying potential funding sources for SMEs.

**Expected Results:**

- Improved access to finance by SMEs
- Increase SMEs formalizations.

**Deliverables:**

- Training courses materials.



## **IV. CROSS CUTTING TASKS**

### **A. IMPLEMENTATION OF TRAINING, AND COMMODITIES PROCUREMENT**

Human capacity building and institutional development are key objectives of this SOW. The ECP Contractor shall work with GOE counterparts to develop their capacity in the areas stated above in the four Results A thru D. Both off-shore (U.S. based and Third Country training) and in-country training will be part of the contractor annual training plans. A majority of this training will be conducted in-country.

In-country training will include in-country workshops, public awareness seminars, roundtables, and media clubs. About two-three events per quarter or up to 10-12 events will be conducted every year. The number of training participant per event will be approximately 20-30 participants.

Off-shore participant training will include U.S. and Third Country Training in free developed countries. One-two event per quarter or up to 8 training events per year for up to 8-10 participants will be conducted. A Plug Figure of **US\$5 million** will be the ceiling for all training under the ECP Contract. FT-800 Local Currency funds will be used separately to cover international travel tickets and other eligible costs for participants.

On an annual basis, and as directed by the COTR, the Contractor shall prepare a Training Plan covering all elements of support under this contract. The plan shall be subdivided by individual component to allow independent and timely implementation of discrete training activities. Specifically, the training plans shall describe:

1. Program (or course) descriptions and the total number of training activities recommended;
2. The number of trainees to be trained and the duration of each training activity, both in-country and off-shore;
3. The estimated cost of each training activity;
4. The administrative mechanisms to be used to administer the program
5. A methodology to evaluate the effectiveness of completed training activities and a follow up plan to document impact.

Commodities procurement will be limited to small IT procurement of microcomputers, servers, notebooks, printers, and photocopy machines. Three vehicles will be also purchased for the contractor use during the lifetime of the contract. A Plug Figure of **US\$1 million** will be the ceiling for equipment.

In addition, for vocational training and labor skills and productivity, some refurbishing and equipment for the training sites will be needed. The ECP contractor shall provide an estimate for this purpose.

### **B. GRANTS TO U.S. AND NON-U.S. NGO**

The contractor will provide grant funding to U.S. and Egyptian non-governmental organizations (NGOs) with maximum total value of up to **US\$2 million** in areas listed under Results A, B, C, and D. The contractor should propose the number and amount of each grant proposed to the

Egyptian NGOs. A grant to U.S. NGO is limited to \$100,000. Priority consideration will be given to proposals that relate to areas covered by the four ECP Results. All grants will be made in accordance with USAID requirements for grants to NGOs under the Automated Directive System (ADS).

Under USAID guidance, the contractor will establish specific selection criteria and a process for the allocation of these grants. The contractor will evaluate proposals award grants upon USAID approval, and provide grant management and oversight services, including monitoring and evaluating grant funded projects. Recipients (if any) who are part of the contractors teaming arrangement will be ineligible to receive funds through this grant making process.

Minimum institutional criteria for eligibility may include:

- A requirement that the applicant be either a registered U.S. NGO or a U.S. institution of higher education, or a registered Egyptian NGO or Egyptian university;
- A requirement that the applicant have a demonstrated capacity in the areas covered by Components A through F, and
- A requirement that the applicant have established outreach capabilities with linkages to the beneficiary group(s), which is reflected by the incorporation of local views in the proposal development process.

Minimum grant-specific criteria may include:

- A requirement that the proposal seeks not less than a minimum level of funding and no more than a maximum level of funding, unless waived by USAID, and that the proposal provide for non-United States Government cash and/or in-kind contribution; and,
- A requirement that no construction or major infrastructure activities be allowed, and the proposed allocation for commodity procurement must not exceed 20% of the total activity costs.

## **V. MONITORING AND EVALUATION**

### **A. PERFORMANCE MONITORING PLAN**

The Contractor shall submit a Performance Monitoring Plan (PMP) that will be based on a fiscal year calendar and must include the following elements:

- List of key project objectives, expected results and project outputs (output is a count of services delivered or items produced) as well as a brief description of the linkages between the project outputs and its expected results.
- Definition and detailed description of the performance indicators to be tracked including: unit of measure; data source; justification/management utility; baseline values; annual targets; annual actual data; frequency and schedule for data collection; individual responsibility for data collection and availability of data at USAID; and detailed plans for data analysis, review and reporting.

The Contractor is encouraged to propose other indicators that will assist in managing project performance.

Ninety days after award, the Contractor shall submit its Final PMP to USAID together with the Annual Work Plan. The Contractor and USAID will agree upon the final choice of performance indicators useful for timely management decisions and credibly reflecting the actual performance of the project. PMP data must meet reasonable quality criteria of validity, reliability, timeliness, precision and integrity, and be disaggregated by gender as appropriate and feasible.

Expected results for ECP are noted under the detailed description of each task, but the Contractor will be expected to set more refined targets during the mobilization period while implementing the Work Plan, subject to USAID review and approval.

## **B. USAID STANDARD INDICATORS**

In addition to the illustrative targets and deliverables for each of the four ECP result areas, the contractor will report on relevant standard indicators from the Foreign Assistance Framework and the Results Framework.

The Results Framework for AO 16 includes the Assistance Objective, “*Conditions for Trade and Investment Improved*”. The Intermediate Results are:

1. Financial Sector Modernized
2. Trade and Investment Policy and Regulations Improved
3. Competitiveness of Natural Resources Based Industries Increased
4. Workforce Skills in Critical Sectors More Responsive to Market Demand

Relevant Areas and Elements under the Foreign Assistance Framework include:  
Economic Growth

Program Area: Macroeconomic Foundation for Growth

Element: Fiscal Policy

Program Area: Financial Sector

Elements: Financial Sector Enabling Environment, Financial Services

Program Area: Private Sector Competitiveness

Elements: Business Enabling Environment, Private Sector Productivity, Workforce Development

Program Area: Economic Opportunity

Elements: Policy Environment for Micro and Small Enterprises, Strengthen Microenterprise Productivity

Investing in People

Program Area: Education

Element: Higher Education

Potential standard indicators relating to these Program Areas and Elements are:

- Number of financial sector supervisors trained with USG assistance
- Number of the core commercial laws passed for which implementation has begun
- Number of policy reforms/regulations/administrative procedures presented for legislation/decrees as a result of USG assistance
- Number of SMEs receiving USG assistance to access bank loans or private equity
- Number of people gaining employment or better employment as a result of participation in USG-funded workforce development programs
- Number of persons completing USG-funded workforce development programs.

- Number of improvements in laws and regulations affecting the registration of micro enterprises enacted with USG assistance
- Number of micro enterprises receiving business development services from USG assisted sources

Potential custom indicators for annual performance monitoring related to intermediate results, Program Areas, and Elements are:

- Egypt's rank in the World Bank Doing Business Report.
- Egypt's rank in the Global Competitiveness Report.
- Export and Imports as a percentage of GDP at market prices.
- Number of Persons Participating in USG-funded workforce development programs.
- Cumulative number of key commercial laws passed and implemented.

### **C. MONITORING AND REPORTING DOCUMENTATION**

The Contractor shall prepare monitoring reports and related documentation for all activities under this contract, as directed by the COTR. This documentation shall include routine periodic reports on indicator status; such as preparation and updates of the Performance Monitoring Plan for AO-16, submission of draft activity narratives for the USAID Annual Report, etc. The format of the reports and documentation may change from year-to-year and shall be provided by the COTR. Verification of specific data calculations for all indicators shall be conducted annually. Data quality assessments for each indicator shall be conducted at least once every two years.

### **D. WEBSITE**

USAID has established an Economic Growth website, [www.usaideconomic.org.eg](http://www.usaideconomic.org.eg), to facilitate coordination of assistance and to inform the public. The Contractor shall assume physical operation, maintenance and updating of this website. The website shall continue to report results, success stories, publications, services offered by partners, training opportunities, relevant databases, and an events calendar. The website shall continue to be organized to facilitate collaboration by working groups within AO-16's implementers and managers. Implementing staff shall continue to be able to upload relevant information.

## **VI. STAFFING**

The Contractor will be required to perform a number of technical, management and administrative tasks. It is expected that the Contractor shall base a long-term team of expatriates and local consultants, and highly specialized, short-term expatriates and local consultants in Cairo. In addition, a home office staff will support the resident field staff.

The Contractor will be required to provide a core management team with the technical competence and management skills to manage the project, and supplement that team as needed with technical specialists, either from within the Contractor or as short term sub-contractors/consultants.

The position of ECP Program Director (COP) is mandatory and is designated as key personnel position.

Other Core Management staff and Result's Implementation staff are illustrative. The Contractor shall identify other key personnel, who may be designated at the time of contract award. Any changes to key staffing after award will require prior written approval from the USAID Contracting Officer and the Contracting Officer Technical Representative (COTR).

The Contractor shall provide Team led by the Program Director, who will be the contract team's Chief of Party (COP), and, under the Program Director, four Program Result Leads for each of the SOW Result described under Section III. above. These positions shall reside full time in Egypt for a period up to three years. More details are provided as follows:

- **Program Director (Chief of Party):** This will be a Key Personnel position required for the life of the contract. The Program Director shall lead all aspects of contract performance; would, as needed, provide technical guidance to all tasks under the contract; and shall represent the contract's activities as a whole to outside audiences. Illustrative tasks may include: lead the strategic planning for the program, including annual workplans; develop results reporting systems; ensure close coordination with USAID COTR and program partners in the GOE, private sector, NGO, and donor communities; and develop and implement an active communications and public awareness program. This person shall be responsible for the day-to-day operational oversight and administration of the program. Illustrative tasks may include: program management information systems; human resource functions; procurement planning and procedures; financial planning and accounting systems; grants management; technical and financial reporting systems; and internal compliance and control systems. He/She shall be a senior professional and would directly supervise the Contractor's technical staffs who head the contract's four Results and tasks. The position requires an individual with outstanding strategic planning and management skills, exceptional communications and presentation skills, strong teamwork and interpersonal skills, and a wide range of technical expertise in the economic growth and private sector development sectors. The Program Director should have extensive years of experience in planning and managing highly complex economic growth-related projects in developing countries.

- **Four Results Leads:** The Program Director may delegate a substantial part of the internal oversight and coordination of the contract's tasks to any or to all of the four Result leads. One of the four Result lead may be the Program Director's deputy for outside representational purposes and would refer tasks' technical implementation issues to the Program Director, as needed. The Result leads should have extensive years of relevant technical, management, and administrative experience in developing countries. Illustrative types of the staff required for the Result Lead positions are further described below:

- **Result A Lead:** Senior-level expert with international experience in areas such as broad regulatory reforms, commercial laws, budget transparency, and fiscal decentralization, civil Service reforms, formalization of informal sector, and industrial policy and strategies, and on the implementation of commercial law by courts, regulatory bodies, and the legal profession, in dealing with fiscal policy, tax policy and administration, budget and expenditure management, sub-national government finance, and revenue authority development. Also, in dealing with

industrial policy, labor market issues, business regulation, competition policy, bankruptcy, and microeconomic constraints to doing business. Expertise in developing countries is an asset.

○ **Result B Lead:** Senior-level expert with international experience in areas such as competitiveness for some sectors such as tourism, higher education, and agro-industries, simplified business processes including unified registry, centers for permits and licenses, and property registration, business Transparency including competition, anti-cartels, and anti-competitive behaviors, and public private partnerships, business development services, investment policies and diagnostics, public-private partnerships, and business licensing. Expertise in developing countries is an asset.

○ **Result C Lead:** Senior-level expert with international experience in areas such as labor economics, entrepreneurship, public-private partnerships, vocational training, human resources development, and civil service reforms. Expertise in developing countries is an asset.

○ **Result D Lead:** Senior-level expert with international experience in areas such as issues relating to financial sector regulations, non-banking supervision and regulations, small and medium enterprises, pension reforms, and other reforms such as corporate social responsibilities, and SME. Expertise in developing countries is an asset.

● **Other Core Management Staff:**

○ The Contractor will provide full time long, and/or short-term local and expatriates staff to support the Program Director and the Result Leads for coordination between Results and for all contract-wide tasks. The Contractor will consider and recommend, for USAID COTR's approval, inclusion in the Core Management area functions such as contract-wide financial management, personnel and human resource management, grant management, logistical support, training requirements, ICT expertise/ information management, monitoring and evaluation, among others.

○ A successful, established entrepreneur with Arabic/English speaking capabilities will be needed to support the implementation of Task C.2.a. He/She will coordinate with other short termers for Tasks C.2.a. This expert will be needed for two years. Hiring this position will be done in consultation with USAID COTR.

**VII. REPORTS AND DELIVERABLES**

The ECP Contractor shall provide the following deliverables and reports:

A. Work Plans:

- The First Year Work plan covering anticipated first year activities is due within three months after the start date of the contract and should be presented by each of the four Results.
- A start-up workshop to develop specific tasks for the first year workplan, and to develop general tasks for the life span of the ECP will be planned during the first three months after the start date of the contract.
- The work plan shall be reviewed semi-annually (or as mutually agreed between the Chief of Party and the COTR, based on program implementation needs) and any changes proposed by the Contractor must be approved by USAID. Draft work plans for each subsequent work year of the Contract shall be delivered to USAID COTR for approval one month before the start

of the respective year.

#### B. Reports:

- Annual reports on the status of project implementation that track progress against the work plans are due within 90 days after the anniversary date of the contract.
- The ECP Contractor shall submit to USAID individual reports as specified (both in frequency and content) in the Contract Annual Work Plan
- The ECP Contractor shall submit to USAID a Semi-Annual report within 30 days after the end of the period, with the first such report due six months after contract signing. This report shall include the following sections:
  1. Description and analysis of all activities conducted during the reporting period such as provision of technical assistance, institutional strengthening, assessments, manual reviews, implementation of new procedures, conferences, training courses, and milestones reached in long-term efforts. For training courses conducted by the Contractor, the report should include the training objectives, a description of training materials developed, along with the number and gender of participants, and the organization that they represent and participant positions if noteworthy. The contractor must comply with USAID TRAINET (See ADS Chapter 253).
  2. Brief summary of any assessments or analytical studies conducted during the reporting period.
  3. Nature and amount of direct procurements made to project activities.
  4. The Contractor's assessment of the current status of progress under the contract, including analysis of lessons learned and recommendations for any corrections to the program design.
  5. Progress made in achieving Performance Results and Indicators.
  6. Financial reports tracking expenditures.
- A final report is due within 45 days of the Contract completion date. This report shall summarize the annual reports and add:
  1. Successful methodologies employed during the life of project that produced desired results.
  2. General lessons learned in relation to the full program and recommendations for future programming.

#### C. Training Plan

On an annual basis, the Contractor shall prepare a Training Plan covering all elements of support under this contract. The plan shall be subdivided by individual component to allow independent and timely implementation of discrete training activities. Specifically, the training plans shall describe:

1. Program (or course) descriptions and the total number of training activities recommended;
2. The number of trainees to be trained and the duration of each training activity, both in-country and off-shore;
3. The estimated cost of each training activity;
4. The administrative mechanisms to be used to administer the program
5. A methodology to evaluate the effectiveness of completed training activities and a follow up plan to document impact.