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Independent Evaluation **EGYPT**

UNIDO Country Service Framework



UNIDO EVALUATION GROUP

Independent Evaluation
EGYPT

UNIDO Country Service Framework



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Contents

List of Acronyms and abbreviations	vii
Glossary of main evaluation terms used	viii
Executive summary.....	ix
Quality matrix.....	xvii
Recommendations.....	xix
Recommendations to UNIDO and the Government	xix
Recommendations to UNIDO for the finalization of ongoing activities	xix
Recommendations to the GOE for the continuation of ongoing activities	xx
Recommendations to UNIDO with a view to preparing future activities in Egypt	xx
Lessons learned	xxiii
1 Introduction	1
1.1 Background of the evaluation	1
1.2 Methodology used by the evaluation; selection of enterprises	2
2 Situation of Industry and Institutional Framework	3
2.1 Industry in Egypt	3
2.2 Institutional framework	4
2.3 The Banking Sector	7
2.4 Related national and donor programmes	7
2.5 UN System: UNDAF.....	7
3 CSF Summary	9
3.1 Structure and financing status	9
3.2 The Programming Exercise.....	10
3.3 Program design	11
3.4 Funds Mobilization	11
4 Implementation of Individual Components/Sub-Components.....	13
4.1 Component 1: Sectoral support to upgrade enterprise competitiveness.....	13
4.1.1 Subcomponent 1.1: Support mall-scale leather based industry (FLISC)	13
4.1.2 Subcomponent 1.2: Pilot Programme for Modernization and Upgrading of Selected Industries in Borg el Arab.....	18
4.1.3 Subcomponent 1.3: Increased Competitiveness in the Agro-sector.....	24
4.1.4 Subcomponent 1.4: Cleaner Production	24

4.2 Component 2: Cross-sectoral support to the Egyptian Industrial Competitiveness Programme	28
4.2.1 Subcomponent 2.1: Investment and Technology Promotion	28
4.2.2 Subcomponent 2.2: Modernization of the Egyptian Quality Infrastructure: Accreditation and Traceability	32
4.2.3 Sub-Component 2.3: Industrial Information Networking	35
4.2.4 Subcomponent 2.4a: Cluster and Networking Development	36
4.2.5 Subcomponent 2.4b: Industrial Business development services in Luxor	37
4.2.6 Industrial Governance: Preparation of the White Paper for a Competitive Egypt ..	38
5 Implementation of the Programme	41
5.1 Relevance to Government policy	41
5.2 Ownership	41
5.3 Sustainability	41
5.4 Target Groups and market Orientation	42
5.5 Coordination of implementation an monitoring	42
5.6 Identity and integration	42
5.7 Capacity and institution building	43
5.8 Innovation	43
Annexes	
Annex 1: Terms of Reference	45
Annex II: List of persons met and related institutions/enterprises	50
Annex III: List of main documents reviewed by the evaluation team	53
Annex IV: Structure of the CSF as per document of October 2004	55

List of acronyms and abbreviations

BRC	Business Resource Centre
BTO	Back-to-office Report
CAD	Computer-Aided Design System
CLTF	Chamber of Leather, Tanning and Fur
COMFAR	Computer Model for Feasibility Analysis and Reporting
CP	Cleaner Production
CSF	Country Service Framework
EFTA	European Free Trade Association
ENCPC	Egyptian National Cleaner Production Center
EGYNET	Egypt Information Network
EU	European Union
FDI	Foreign Direct Investment
FLISC	Footwear and Leather Industry Service Centre
GAFI	General Authority for Investment
GOE	Government of Egypt
HACCP	Hazard Analysis Critical Control Points
HQ	Headquarters
ICS	International Centre for Science and High Technology
IMP	Industry Modernization Programme
IPPN	Industrial Partnerships Promotion Network
IPU	Investment Promotion Unit
ITPN	Investment and Technology Promotion Network
ITPO	Investment and Technology Promotion Office
KfW	Kreditanstalt für Wiederaufbau
LTC	Leather Technology Centre
MENA region	Middle East and North Africa region
MFTI	Ministry of Foreign Trade and Industry
MTI	Ministry of Trade and Industry
NCPC	National Cleaner Production Centre
NGO	Non-Governmental Organization
NPIM	National Programme for Industrial Modernization
PHAROS	Business Performance Software
PROSPIN	Project Profile Screening and Pre-Appraisal Information System
SATRA	Shoe and Allied Trade Research Association
SEDO	Small Enterprises Development Organization
SER	Self Evaluation Report
SFD	Social Fund for Development
SME	Small and Medium Enterprise
SQC	Supreme Quality Council
SWOT	Strength, Weaknesses, Opportunities and Threats
UMU	UNIDO Modernization Unit
UNEP	United Nations Environment Program
USAID	United States Agency for International Development
WTO	World Trade Organization

Glossary of main evaluation terms used ¹

Baseline: The situation, prior to an intervention, against which progress can be assessed.

Effect: Intended or unintended change due directly or indirectly to an intervention.

Effectiveness: The extent to which the development objectives of an intervention were or are expected to be achieved.

Efficiency: A measure of how economically inputs (through activities) are converted into outputs.

Impact: Positive and negative, intended and non-intended, directly and indirectly, long term effects produced by a development intervention.

Indicator: Quantitative or qualitative factors that provide a means to measure the changes caused by an intervention.

Intervention: An external action to assist a national effort to achieve specific development goals.

Lessons learned: Generalizations based on evaluation experiences that abstract from specific to broader circumstances,

Logframe (logical framework approach): Management tool used to guide the planning, implementation and evaluation of an intervention. System based on MBO (management by objectives) also called RBM (results based management) principles.

Outcomes: The achieved or likely effects of an intervention's outputs.

Outputs: The products in terms of physical and human capacities that result from an intervention.

Relevance: The extent to which the objectives of an intervention are consistent with the requirements of the end-users, government and donor's policies.

Risks: Factors, normally outside the scope of an intervention, which may affect the achievement of an intervention's objectives.

Sustainability: The continuation of benefits from an intervention, after the development assistance has been completed

Target groups: The specific individuals or organizations for whose benefit an intervention is undertaken.

¹ Based on a glossary prepared by OECD's DAC working party on aid evaluation, May 2002.

Executive summary

Background

The development of the CSF for Egypt was initiated in March 1999 covering a wide array of themes:

- 1) A Policy Framework for the Development and Promotion of Small and Medium Scale Enterprises
- 2) Enhancement of the competitiveness of selected industries, in particular in the agro-industrial sector.
- 3) Enhancement of Institutional Infrastructure in the areas of Metrology, Standardization, Certification and Accreditation
- 4) Investment and Technology Promotion
- 5) Introduction of Cleaner Production Systems in selected industrial sub-sectors
- 6) Industrial Information Networks

The first version of the CSF document was prepared and signed in July 2000, and implementation of the CSF began in September 2000. It had 6 components along the lines of the thematic focus above. The CSF included a number of projects that were already operational prior to the formulation of the CSF such as the Investment Promotion Unit and support to the Footwear and Leather Industry Support Centre (FLISC). The CSF was budgeted at \$18 million.

Formulation and funds mobilization

In November 2001, a mission was carried out to present the CSF document to potential donors. The mission achieved little success. In cooperation with a new Egyptian Cabinet, a re-formulation exercise was undertaken, which resulted in a new CSF document that was approved by both parties in November 2002. This document had two components and eight subcomponents with a reduced estimated budget of \$12 million. Up to that point activities had been mostly confined to the two pre-existing projects FLISC and the IPU but the majority of the planned activities remained unfunded.

In 2003 and 2004 significant amounts of funding were obtained, often for purposes that required changes in the subcomponents of the second version of the document. As a result, a third version of the CSF document was prepared during the second half of 2004. This document has been used as the reference for the present evaluation.

The third version of the CSF includes two components, on sectoral and cross-sectoral interventions, and is structured into six active subcomponents. It has a planned budget of around \$24 million of which 33% or around \$8 million were funded.

Coherence of planning and implementation

In contrast to an Integrated Programme, a CSF is not supposed to be a “programme” but to serve three main objectives: (1) defining UNIDO services within a coherent framework,

(2) assisting resource mobilization, and (3) supporting programme management, synergy and coordination.

The CSF Egypt helped with achieving the first CSF objective. UNIDO services were indeed defined within a coherent framework, even if some sub-components were identified and developed in an isolated manner and some were already under implementation *before* the CSF was formulated. The then team leaders invested considerable and meticulous efforts into maintaining the coherence of the CSF by reformulating the document several times. However, these efforts to accommodate external developments were more of a reactive nature, rather than leading the development of the CSF.

The utility of the CSF for the two other generic objectives was limited. There is no evidence that it facilitated resource mobilization and little evidence it facilitated coordination of programme delivery and synergy. For example two components (the Industrial Modernization Programme and ETrace) were involved in the same type of activities (HACCP training) without using each other's capabilities or creating a coordinated effort. In other cases, coordination in the field was due more to the personal efforts of the UR and project staff rather than to the CSF structure.

Conclusions at CSF level

The evaluation team comes to the following conclusions with regard to the overall programme:

- The objectives of the CSF were by and large, but in varying degrees, in line with government and donor's policies and the requirements of the end-users. However, UNIDO should have better identified its niche and concentrated on a more focused, possibly narrower programme and where funds were available.
- More marketing and involvement of donors and clients during the planning stage should have been undertaken. There were no prior consultations with donors in the initial formulation of the CSF. For some of the sub-components the interest of donors was ascertained only after formulation.
- Frequent changes in GOE policy orientations and officials in MTI and its Industrial Modernization Programme (IMP) affected performance, integration and identity both of the CSF as whole and of individual subcomponents. Under these conditions, maintaining a cohesive and consistent CSF, while assuring customer orientation, constituted a major challenge.
- Overall national ownership of the CSF was rather weak. The steering committee foreseen for the CSF was never constituted. A national director was not nominated.
- There was room for achieving more synergies between (sub-) components at the design stage and during implementation.

- Visibility varied across subcomponents. Interventions that were concentrated on a particular region or were specialized in a particular sector had higher chances of being visible.
- Marketing of the CSF in Egypt was poor. No information or outreach efforts were carried out, even in the simple form of a brochure. This impinged upon UNIDO's projecting the coherence of the CSF among various constituencies in Egypt.
- The objectives of the specific subcomponents were met in varying degrees. Overall, the achievement of objectives was less than planned, and wider outreach of services
- Periodic reviews and mid-term evaluations should be used to make adjustments at programme and subcomponent levels. The CSF should have adequate financial resources devoted to evaluations.

Conclusions at component level

At the level of the individual components the evaluation team comes to the following conclusions:

Small-scale leather based industry

This component is funded by Switzerland. Its first phase preceded the CSF; the end of the second phase is scheduled for the end of 2006. The main thrust has been the establishment of FLISC as a service centre providing technical assistance to small and medium-sized companies in the leather industry. The centre is hosted by the Social Fund for Development (SFD), a poverty oriented initiative of the GOE.

The outreach of FLISC and demand for its services seem limited. It offers technical services, like CAD, but other fundamental needs of the target group (e.g. management, local marketing, accounting) are not addressed. Efforts to better understand client needs and market trends and to adjust services accordingly are insufficient.

Clustering activities are underway but a commercially viable model has not yet been found.

Expected outcomes relate to "increased export of the leather industry" and "restructuring of the industry in order to avoid a total collapse of the sector". They were ambitious but not attained because of the limited impact of the project.

FLISC operates in a relatively crowded support environment; its exact niche, role and comparative advantages are not entirely clear. Another leather centre is currently being set up under the Ministry of Trade and Industry.

At present FLISC covers 10-15% of its operational expenses. Envisaged cost recovery targets of 50% seem arbitrary and are not tied to a business plan. Significant improvements of the cost recovery rate are unlikely and the mission considers that, despite the resources invested into technical assistance, it is unrealistic to expect FLISC to become

a financially sustainable organization. While it is justified that cost recovery should be obtained to the possible maximum, a centre of this type would need continuous financial support from the Government. However, it is not clear whether GOE will continue funding after the end of the project. In the past, the SFD closed down two similar centers in other sectors.

Pilot programme for upgrading selected industries

This intervention has been an integrated part of the Egyptian IMP funded by the EU. It initially enjoyed a high degree of counterpart ownership. However, it did not achieve its full potential, mainly due to project management problems, the approach adopted and, eventually, also due to changes in the management of the IMC. Activities ceased in December 2005 with more than 50% of unspent balance scheduled to be returned to the funding agency.

Initially the project intended to apply UNIDO's well-known approach to industrial upgrading by which companies go through a three-stage in-depth diagnosis before getting access to actual upgrading support. However, for cost and time reasons, most client enterprises were not willing to participate in such analyses. As a consequence the diagnosis had to be simplified to a single stage analysis, based largely on the perceptions of the individual client company managers.

By the end of the project 87 enterprises were pre-assessed and 299 service proposals developed; 55 businesses participated successfully in upgrading projects and 140 technical assistance/upgrading services were provided; 39 enterprises were certified or are under certification for ISO 9001, ISO 14001, ISO 18001 and ISO/TS 16949; 12 enterprises implemented HACCP with no failures, and five further projects were underway. In addition, 159 interventions/project proposals were transferred to the IMC for implementation. In the 87 enterprises supported, 63% of the technical assistance provided was for ISO Certification (ISO 9000, 14000 and 18000) and 14% of the projects were for the implementation of HACCP.

The methodological shift to a single-stage analysis resulted from the cost-sharing model imposed by the EU, which confronts the entrepreneur directly with the considerable cost of a comprehensive in-depth analysis, in particular if carried out by international experts. It should be underlined that in other countries UNIDO still applies a full subvention approach where companies are not supposed to participate financially but subject to a top-down full-scale analysis. Quite clearly the Egyptian model puts the entrepreneurs much more in the driver's seat.

The methodological shift has also been the main reason for under-spending. The 'lighter' diagnoses relied mostly on local experts and hence were less expensive than anticipated. However, UNIDO did not manage to use the remaining budget for the actual upgrading of companies. A larger number of more in-depth and more comprehensive upgrading exercises would have been possible but did not materialise because the new IMC management did not extend the UNIDO contract beyond the originally envisaged project completion date of December 2005.

The actual upgrading interventions at the enterprise level were largely limited to preparation for and certification against ISO standards, and implementation of HACCP, which are only a small part of an industrial modernization process. This raises the question for UNIDO how to better diversify and calibrate its upgrading support towards company needs in the future.

In the area of export consortia an attempt to transfer UNIDO's standard approach failed. Several companies coming from different sectors were interested to embark on this new experience but their perceptions were different from UNIDO with regard to the approach. UNIDO felt that their business commonality was insufficient to establish an export consortium.

The project was implemented through a special UNIDO Modernization Unit created in parallel to the existing Egyptian Business Resource Centre infrastructure, created under the IMP. As a consequence institutional sustainability is not a challenge, although it is doubtful whether the project actually contributed to the reinforcement of the latter infrastructure.

Cleaner Production

The project attracted half of the funding envisaged (from Austria) but the other half (from Switzerland) did not materialize. Nevertheless, the ECNPC has been established and capabilities seem to be good. Several competing centres provide similar assistance in the field of environmental management, sometimes free of charge. Given the crowded scene of competitors, the ECNPC will have to better determine its actual niche in order to ensure continuous relevance.

The definition of target groups reflects the attempts of the centre for a stronger market orientation. However, the efforts at definition of target groups still show rather erratic shifts. Admittedly, it will be difficult for the Centre to balance a strong market orientation (i.e. concentrate on enterprises that are willing to pay for services) with a focused and specialized approach.

Company-internal seminars in about 50 companies have been undertaken to raise awareness for pollution prevention and related topics, as well as to acquire clients for CP projects. However the client base of companies who are willing to pay is still very narrow.

It is laudable that the Center has pursued parallel activities to its central role, like the Chemical Leasing Programme, which creates income and seems also to bring benefits to the enterprises.

A comprehensive business plan was prepared in May 2006 for ENPC operations during the years 2006 to 2008. It foresees financial sustainability for 2009 after around 4 years of operations. At the moment the salary of the Director is financed by UNIDO and there is no provision to integrate it into the internal budget of the Centre. Furthermore there is no provision for depreciation of equipment.

The mission is of the opinion that financial independence will be not possible. Similar to FLISC, a centre of this type would need continuous financial support from the Government.

Investment and Technology Promotion

Initially the IPU was not part of the CSF but designed as a stand-alone project to support the commercial interests of the donor country (Italy). At the time of its creation, the IPU depended formally on the ITPO Italy, as part of a network it managed across the Mediterranean region. The Unit has been hosted throughout by GAFI, the Egyptian foreign investment promotion office and free zones, in the Ministry of Investment.

The IPU was conceived to support the ITPO Italy with implementing an Italian export credit line helping Egyptian firms with purchasing Italian capital goods and technology. The unit has indeed oriented its work towards Egyptian companies interested in various forms of cooperation essentially with Italian enterprises.

Presently the IPU is managed directly by the UNIDO HQ and spends only 20 % of its time on follow-up of the Italian credit line, but 50% on investment promotion and 30% on other activities. The most important and visible side activity and probably its biggest achievement was the identification, preparation and funding negotiation of the E-trace project, later included in the CSF as sub-component 2.2. The operation is financed under the Italy/Egypt debt-development swap scheme, an innovative financing approach with considerable potential.

From the outside, the IPU is still perceived as an Italian operation and its local ownership is, at present, marginal. The IPU does not seem to receive much policy guidance and substantive support from the Ministry or from GAFI. The steering committee overseeing the activities of the IPU (composed of representatives from UNIDO, Italy, and GAFI) has not met for the last couple of years.

While the office has been doing useful work and continues to concentrate on investment promotion activities, the evaluators hold the view that it lacks focus and that its relevance is questionable within the current context.

Modernization of the Egyptian Quality Infrastructure: Accreditation and Traceability

The subcomponent had two parts: the rationalization of accreditation bodies and the establishment of an E-traceability scheme for fruit and vegetable exports to the EU. Institutional recommendations made by the first part may take time to become implemented and were, at the time of the evaluation, still under consideration.

The second part has played a supportive role and provided useful backup to the establishment of food traceability in Egypt. The project entitled “Traceability of Agro-industrial products for the European Market” is funded under the Italy/Egypt debt swap facility and responds to the EC Directive 178/2002 that establishes guidelines requiring that all fresh produced and food manufactured and sold in the EU, should be fully traceable “from farm to fork” and back again.

The project has been fully operational since July 2004 with the establishment of the “Egyptian Traceability Center for Agro-Industrial Products for the European Market (Etrace)”. Project counterparts are the Ministry of Industry and Trade and the Horticulture Exporters Association with a high degree of ownership. The Project Steering Committee overseeing the project approves project progress and half-yearly work plans.

The project carried out a series of training programmes, seminars and awareness raising instruments; technical reports and studies, including a traceability manual for general use by enterprise operators; and traceability tests and mapping of sources of exportable produce, including a farm-to-retail outlet traceability exercise which tracked a product consignment from a farm in Egypt to the client retail outlet in the UK. Strategic issues in the system were identified and absorbed into the design of the Egyptian traceability scheme.

The project has also helped to define a financial scheme for funding the companies undertaking the implementation of the traceability scheme, as well as the improvement of quality and food safety systems. This was an advisory service provided to the fund managers at the IMC. Additionally, the project assisted companies in preparing applications for the grant fund.

Conceptually the E-Trace project is highly relevant since it helps meet a Technical Barrier to Trade for an important sector of Egyptian Exports. However, it started only six months before the coming into force of the pertinent legislation in the EU. This may have compromised its relevance since the major exporters were already implementing traceability systems at the requirements of European customers. Thus the project moved from the direct assistance role originally envisaged to a promotional, training and advisory role.

The project has established the technical basis for norms and standards for implementing those systems. Also it has provided institutional exposure to technical personnel to the standards and practices in two target export markets (UK and Italy) for Egyptian produce. Interviewees confirmed that the project staff is highly responsive to client requests.

The project works through a stand-alone centre, albeit in liaison with relevant governmental and industry bodies. Project management felt that the centre could be handed over to an appropriate governmental body or to an industry association or support institution after the envisaged extension of three years. However there are no concrete plans to ensure post-project sustainability.

Industrial Information Networking

This sub-component was the amalgamation of two sub-components included in the original Programme Document: (1) an Intranet among the nine departments of the MIT with data warehouse, e-archives and websites and (2) a One-Stop-Shop for business information services to support of SMEs. The project covered the formulation of a business plan to establish the OSS and its implementation, in case of the approval of the business plan by stakeholders and financing by the SFD.

At the time of the project identification (2000 to 2001) relevance of both interventions was high but the interest diminished with the restructuring and changed priorities of MTI and SEDO. An initial design for both information systems was provided in 2001 as well as a business plan for the second information system, which was accepted at a stakeholders meeting in July 2002.

The international expert provided some training to the Ministry staff but there was no follow-up of the proposals. While recognising the need for an industrial information system, the counterpart Ministry felt the proposals were too costly and not enough needs oriented. The envisaged financing from SFD was not released.

Cluster and Networking Development

This subcomponent was funded by UNDP and completed in 2001.

As an input to a UNDP project on urban upgrading in Luxor, UNIDO formulated a business plan and architectural plans for a pilot business incubator, a proposal for an Industrial Development Services Center and a project proposal on relocation of small and medium enterprises.

None of these proposals went into implementation since the Governorate of Luxor changed priorities and the parent UNDP effort was suspended/terminated.

White Paper for a Competitive Egypt

The preparation of the White Paper fell victim to changes in policy and Ministers of Trade and Industry, as well as the management of the Industrial Modernization Center. As a result, the output produced was partial, since it could not incorporate the complete Egyptian industrial dimension, nor was it subject of discussion among national stakeholders.

Awareness of the White Paper was very limited among different Egyptian constituencies. It did not serve as an analytical basis/conceptual framework for integrating UNIDO support to Egypt's industrial development efforts. In consequence, the project had only a marginal impact.

Quality matrix

	Identification	Formulation	Implementation
Relevance	<i>At start, appropriate relevance</i>	<i>Programme design according to priorities of GOE</i>	<i>Relevance diminished during implementation</i>
Ownership	Good ownership at start and beginning of implementation		Ownership diluted; Steering Committee was not set up
Sustainability	Little attention given to sustainability during design and implementation		<i>Situation improved but still not satisfactory</i>
Reaching target groups	In general good planning	Document did not identify methods to select target groups	<i>Services often not in line with needs of the target groups. In general, limited outreach in number of enterprises reached and target group impact</i>
External coordination	Not enough coordination with other TA efforts at identification and implementation		Little interaction with other TA
Programme Integration	Steering committee foreseen		No steering committee. Little integration since mostly stand alone projects
Programme design and monitoring	Well structured programme document (3 versions) with adequate and credible success indicators but no risks analysed or stated		SERs not always prepared; weakness in monitoring; too long duration of implementation
Funds mobilization	No adequate and structured planning on funds mobilization		Situation improved during implementation
Innovation	Standard approaches followed; little innovation		New areas identified and applied: Traceability project financed through debt/swap scheme

	Good performance
	Medium performance
	Weaknesses

Recommendations

Recommendations to UNIDO and the Government

Strengthen joint management mechanisms

- The newly nominated UNIDO Representative in Egypt should be deployed urgently to Cairo and take over effective leadership of the CSF;
- A Steering Committee for the CSF including the relevant ministries of the GOE, donors, private sector and UNIDO is a pre-condition to strengthen ownership for the preparation of the next programme and must be established under the chairmanship of the GOE, upon arrival of the new UR;
- The Steering Committee should supervise the execution of the recommendations of this independent evaluation with regard to finalizing the remaining activities under the CSF and initiate planning of the next phase;
- UNIDO should determine, in cooperation with the GOE, the manner in which this second phase will proceed, i.e. in the form of an Integrated Programme or through some other programming instrument.

Recommendations to UNIDO for the finalization of ongoing activities

Small-scale leather based industry (FLISC)

FLISC should diversify its service offer from technology and design to basic management support services that are relevant to most SMEs. To increase impact FLISC should reconsider its assistance on CAD and international exposure of client entrepreneurs.

The approach to developing clusters of small-scale leather manufacturers (“Italian Model”) should be revisited. By distributing equipment at no cost for the beneficiaries it will not be possible to demonstrate the commercial viability of the approach.

Given that full cost recovery by FLISC is unrealistic, the willingness of the GOE to continue subsidizing the center must be ascertained. A realistic financial sustainability plan should be prepared, based on income generation and subsidies. A pullout strategy for UNIDO should be formulated before the end of the project (December 2006).

Cleaner Production

The ENCPC should enlarge its client base towards solvable clients. Its market niche should be analyzed and kept under continuous review, taking into account the services provided by competing centers.

Given that full cost recovery by the NCPC is unrealistic, the willingness of the GOE to continue subsidizing the center must be ascertained. A realistic financial sustainability plan should be prepared, based on income generation and subsidies.

Investment and Technology Promotion

UNIDO should develop a new strategy for the IPU Egypt. The Steering Committee of the IPU including representatives of the GOE, UNIDO and the donor (Italy) should urgently meet to provide guidance for this exercise.

If maintained within GAFI, the IPU should be better integrated into the investment promotion activities of GAFI. Its potential role vis-à-vis the UNIDO office in Cairo should be clarified in order to avoid overlap and duplication.

The E-Trace center

The present stand-alone nature of the ETrace Center is financially and operationally unsustainable. UNIDO should develop a plan for post-project financial sustainability and institutional affiliation.

Recommendations to the GOE for the continuation of ongoing activities

Small-scale leather based industry (FLISC)

As a precondition to make FLISC sustainable the GOE should make a firm decision with regard to the final location of FLISC, either within SEDO or the Technology Center Network of the MTI.

Given that full cost recovery by FLISC is unrealistic, FLISC will need continuous subsidies from the GOE to survive. The GOE should decide upon the form and level of such subsidies and under which conditions these would be granted.

Recommendations to UNIDO with a view to preparing future activities in Egypt

Make the necessary provisions for coordination, monitoring and evaluation

- Provide the necessary resources to the UNIDO office in Cairo to strengthen coordination and monitoring of future UNIDO activities at country level (if necessary by hiring local staff especially for this purpose);
- Integrate a monitoring scheme into the design of the next phase that will also allow monitoring expected outcomes;
- Make a mid-term evaluation mandatory and foresee the necessary budget.

Design the future UNIDO activities in line with UNDAF

The UNDAF document for 2007-2011 should be used to design the continuation of UNIDO activities in Egypt. UNIDO is specifically mentioned in the UNDAF document in several instances:

- Together with IFAD, ILO and the World Bank to support and enhance coordination and trade agreement capacities of the relevant ministries, and formulate and set up private sector incentive schemes, in particular creating an enabling regulatory environment, financial products, business development

centers, access to assets, and promoting a strong entrepreneurial culture for small and medium size enterprises.

- Together with FAO, ILO, UNDP, UNIFEM, WFP and the World Bank to improve educational and vocational training to align skills with market demands along with establishing skills standards for different occupations, and strengthened terms and conditions for workers.
- Together with UNDP, UNFPA, UNICEF, WFP and the World Bank to help government, local communities and NGOs in the sustainable management of all resources.
- Together with UNDP and the World Bank to reduce pollution levels through programmes that focus on cleaner fuel, energy services, low-emission technologies, cleaner production and innovative pollution abatement techniques.
- With the UNDP to work with the Government and the private sector to strengthen their capacity to comply with international environmental conventions.

Consider promising routes for developing future activities

The evaluation mission has identified a number of promising routes that could be explored when developing future UNIDO activities:

- The services, modalities of delivery and the sustainability strategy of FLISC should be reviewed and revised.
- The efforts of the ENCPC to sustain its institutional existence could be supported by initiating a concerted effort involving also the competing centres.
- The E-Trace system should be extended to encompass processed foods. At the same time, a long-term planning for achieving institutional sustainability of the E-Trace centre should be planned and implemented with a strong involvement of the private sector.
- The performance of the packaging industry is key for improving Egypt's export capacity and competitiveness. The possibility of an industrial upgrading programme for the Egyptian packaging industries could be explored. Such a programme might be able to reap synergy benefits with the E-Trace experience.
- Building upon the inconclusive experience made under the Industrial Upgrading component of the CSF, UNIDO could make another attempt for transferring its export consortia approach, which is already successful in many countries, to Egypt.
- The network of Technology Centers of the MTI could be supported, e.g. with developing a market driven information system.
- Private national consultancy services are key players for industrial upgrading. An upgrading project for the national consultancy industry could be explored.
- A policy analysis could be undertaken for assessment and benchmarking of the transactional efficiency of the Egyptian economy.

Strengthen the regional outreach of the UNIDO office in Cairo

The UNIDO office in Cairo has nominally been a regional (multi-country) office since the signature of an agreement between UNIDO and the GOE on 19 November 2002. There is a strong interest of the GOE for the office to have a real regional character, so that it can have an outreach to a number of Arab and African countries.

UNIDO should explore the possibility of expanding the regional scope of the office in consultation with the GOE and the governments of the other countries concerned. Once this scope is defined, an appropriate business plan and related resources should be agreed and made available to the UNIDO office in Cairo.

Lessons learned

The concept of IP/CSF

New guidelines for the IP or other forms of country programming (since the concept of CSF seems to have been abandoned) are urgently needed.

In a large programme, UNIDO should better identify its niche and concentrate on a more focused, possibly narrower programme and where funds are available.

More marketing and involvement of, donors and clients during the planning stage should be undertaken.

Implementation

Increased decentralization to the field is needed to better manage implementation and respond to changes². Resources should be retained for ad hoc interventions.

Steering Committee

A Steering Committee for a CSF or an IP is necessary in order to monitor the advance of the programme, adapt to changes, specify actions to be taken in response to those changes and ensure synergies between its components. Prior to the establishment of a committee, a Self Evaluation Report (SER) should be prepared for the whole programme to guide the discussions. Being chaired by a representative of the main national counterpart, the Steering Committee also has the potential to ensure and increase the local ownership of the programme.

Monitoring and Evaluation

Periodic reviews and mid-term evaluations should be used to make adjustments at programme and subcomponent levels.

Independent evaluations are often postponed to the end of the programme. As a result, they are undertaken when it is too late to introduce corrective measures. Mid-term independent evaluations are more useful than terminal evaluations.

Visits and interviews/surveys with end-users should always be envisaged in an evaluation in order to ascertain programme and project impact.

In case of large programmes, as in Egypt, in-depth evaluation should be undertaken of individual (sub-) components. These were in fact foreseen in the project documentation, but not undertaken. Such in-depth evaluations pave the way to more meaningful and comprehensive evaluations of programmes. Since it is generally accepted to devote 1% of the budgets of a programme for M&E, the undertaking of evaluations of components and then of the whole programme would be reasonable to undertake. Evaluation costs should be budgeted in each document for a large programme under budget line 16.00.

² This may require a change in the UNIDO Financial Rules.

SERs should be promptly and regularly prepared. Monitoring of subcomponents should be enforced and standardized and not left to the individual initiative of project managers. Managers of project managers should manage efforts on the basis of the objectives to be achieved, rather than merely monitoring the delivery of programmes on the basis of monetary expenditures.

Funds mobilization

The principle that bilateral donors have decentralized approval of multilateral funds, often stated by UNIDO, does not seem to be correct. This problem has been shown in several independent evaluations. Funds mobilization effort should be three pronged, encompassing the host country capital, donor capitals and donor representatives at UNIDO Headquarters in Vienna.

More marketing and involvement of, donors and clients during the planning stage of a large programme should be undertaken.

UNIDO competitive advantage

UNIDO should pay attention the gradual shift by donors from project funding to budgetary support. Governments and the private sector will be more and more in the driver's seat with regard to designing technical cooperation services for to the industrial sector. They will also have a more direct influence in the choice of service providers. In the future UNIDO will be competing with international private sector consultancies. UNIDO should devote careful consideration to its comparative advantage in terms of price, product, quality and results vis à vis its competitors in the area of TC implementation and pay particular attention to private international consultancy companies.

Sustainability plans

Institutional building components should have sustainability plans built in their design. While it is accepted that the type of institutions created or assisted by UNIDO, serving the lower end of the industrial fabric, will most likely not achieve full financial sustainability, clear goals and measures should be foreseen to gradually achieve a partial financial sustainability. For example, project funding of salaries of the national managers of UNIDO-supported institutions is not conducive to sustainability—such expenditures should be part of counterpart obligations.

Introduction

1.1 Background of the evaluation

UNIDO conducts independent evaluations of its Integrated Programmes and Country Service Frameworks in accordance with its Evaluation Policy. Such evaluations serve three purposes: a) as an accountability tool, to report to the stakeholders (UNIDO, recipient Government and donors involved) on the programme implementation, results achieved and problems encountered; b) to recommend possible changes for the remaining part or for a second phase of the programme; and c) to learn lessons (good practices and practices to be avoided) which can be fed into the learning process of UNIDO.

Independent evaluations are normally conducted at mid-term, or 24 months after the beginning of the programme, so that necessary corrective measures can be taken. Despite the provisions in the programme document this independent evaluation took only place in June/July 2006, nearly at the end of implementation of the CSF. Had the evaluation been undertaken as foreseen, it would have been possible to identify problems and initiate corrective measures at an earlier stage.

Furthermore, the CSF document foresaw the possibility of undertaking in-depth evaluations for individual components with an external contribution of over \$1 million. Those were not carried out.

The evaluation mission was composed as follows:

- Oscar Gonzalez-Hernandez, International consultant, Team Leader
- Syed Asif Hasnain, UNIDO, Deputy to the Director PCF/SPP
- Tamer el-Meehy, National Consultant

The national consultant was approved by the GOE. His insight into industrial development issues in Egypt and related technical cooperation was an invaluable asset.

The evaluation TORs state that representatives of the concerned donors would be invited to participate in the evaluation of the components and/or projects they have funded. Since in the present case large parts of the CSF were, in effect, self-financed by the Government of Egypt through donor funds provided as programme support, counterpart and donor were identical for most of the programme. Furthermore the dispersed locations of the project sites and end-users would have made direct donor participation logistically difficult. Therefore, donors were briefed on preliminary results towards the end of the mission and their comments taken into account for the final version of this report.

As a consequence of the large geographical and thematic coverage of the CSF, this evaluation could not go into depth on all aspects. Within the available timeframe and budget it has not been possible to interview a large number of project beneficiaries,

participants and trainers of training activities, some of the national consultants and a larger sample of end-users, including a survey of end user opinion.

1.2 Methodology used by the evaluation; selection of enterprises

The evaluation followed a combination of documentation review and interviews of stakeholders, particularly end-users. At UNIDO Headquarters, the mission interviewed eleven technical officers who were involved in the CSF. The team had also preliminary discussions with the First Undersecretary in the Ministry of Trade & Industry, and then in Vienna, who has been involved in the CSF since the outset. It also had discussions with two Managing Directors of the Technology Development Sector and a representative of the Egyptian mission to UNIDO in Vienna.

In Cairo, after an initial briefing with First Undersecretary in the Ministry of Trade & Industry and the Team Leader and UR in Cairo, the mission interviewed:

- Around 20 former and present officials of the Institutions involved in the CSF
- 14 enterprises end-users of the components with an outreach to enterprises
- All four donors (UNDP, EU, Switzerland and Austria).

Project counterparts or project staff selected the interviewed enterprises/beneficiaries. The mission had no independent basis to define a representative sample of beneficiaries. However, the interviewed enterprises provided a balanced view on benefits and shortcomings of the individual CSF components. In addition, the mission visited a number of institutions involved and the Business Resource Centers of Borg El Arab and Alexandria. In order to avoid biased expression of views, interviewees were assured that their opinions would be dealt with anonymously in the report.

Harmonized interview questionnaires were used by category of interviewees (UNIDO officers, donors; institutions and end-users) so that the information obtained could be compiled and analyzed on a comparable basis.

The list of persons interviewed is included in annex II.

Sources and availability of information

The documentation available to the mission was huge but not always coherent. It included the three programme documents; a number of self evaluation reports for the programme as a whole as well as its sub-components; project documents; project technical reports; and mission reports, Steering Committee reports of individual components, etc. The list of documentation is presented in Annex III.

Validity of the findings

According to UNIDO rules, the members of the evaluation team participated in their personal capacity. Opinions expressed in this report may not necessarily reflect the views of UNIDO, of the GOE or of the donors. Since the findings have to be credible and the recommendations implementable, the evaluators, from the outset, carefully recorded the opinions and requirements of the persons interviewed.

2

Situation of Industry and Institutional Framework

2.1 Industry in Egypt

Industry has an untapped potential in Egypt. Manufacturing accounted for only 19% of GDP in 2003, following Services (52%) and followed by Agriculture (16%) and Extractive Activities (13%)³. According to 2000/01 data, manufacture employed 13.8% of the workforce (around 2.5 million people). Since the early 1990s, as a result of privatization and liberalization, industrial production in the once-dominant public sector has declined and private-sector production has increased sharply. According to the Ministry of Industry and Trade, by fiscal year 2005, the private sector accounted for some 86% of manufacturing output. Nevertheless, the public sector still plays an important role in the economy, accounting directly or indirectly for around one third of total GDP and employing 30% of the total workforce.

After growing in the 1980s and 1990s, Egyptian manufacturing exports have failed to drive the economy in terms of manufacturing value added and exports. Egypt's manufactured exports per capita remain quite low, and these exports are largely resource-based, or with low technology content. Egypt under-performs in medium- and high-tech exports. Several constraints hinder the development of the manufacturing sector in Egypt. These can be largely grouped into enterprise-level constraints and structural constraints.

Enterprise Level Constraints

On the enterprise level manufacturing enterprises are generally uncompetitive. Most enterprises employ outdated technologies, lack access to modern financing products, adequately priced inputs and information on markets, product specifications, etc. In addition, manufacturing enterprises generally have poor quality and production management systems, if at all, in addition to poor financial and human resource management systems. Moreover, most entrepreneurs demonstrate a lack of basic entrepreneurial and management skills and are reluctant to change. Finally, the legal and regulatory framework is far from being business friendly or supportive of competitive business structure. Entrepreneurs have to face significant bureaucratic constraints during enterprise establishment, operation, growth and exit.

³ World Development Indicators.

Structural Constraints

On the structural level, the manufacturing sector suffers from several constraints:

- Skewed activity and product distribution, whereby the vast majority of industrial activities are concentrated in a handful of labor-intensive sectors with low technology, skill and knowledge content.
- Smallness, with the vast majority of enterprises falling in the micro and very small size categories, whether in terms of the number of workers they utilize or the fixed capital they possess.
- Skewed geographical distribution as evident from the fact that enterprises and industrial output is heavily concentrated in a handful of governorates.
- The Missing Middle Syndrome whereby on one end of the spectrum there exist a few large relatively modern capital-intensive enterprises that are either resource based, or import dependent and assembly oriented. At the other extreme there is a vast sea of small and micro enterprises (a large portion of which is informal) that use very simple and traditional technologies and serve a limited local market.

The CSF, in its overview of the industrial situation, demonstrated an awareness of the above constraints and provided a fairly accurate diagnosis of the problems facing industrial development and modernization in Egypt. However, most of the interventions it endorsed fell short of addressing the fundamental or structural issues, and focused on conventional forms of technical assistance provided by UNIDO. More details on the overall constraints on industry are discussed in Annex IV.

2.2 Institutional framework

The institutional framework governing industrial development is disjointed and generally suffers from lack of coordination, a high degree of fluidity with continuously shifting mandates and focus, and – at least until very recently - a lack of a unified industrial development strategy. In the Government of Egypt industry and industrial development are almost the exclusive mandate of two key actors: Ministry of Trade and Industry (MTI) and the Industrial Modernization Center, an institution created under an EU-GOI Industrial Modernization Programme, and nominally under the management of the Ministry of Trade and Industry.

Ministry of Trade & Industry

While Egypt has had a ministry of industry for decades, despite the obvious link, trade and industry were only recently merged into one ministry. Industry was originally the mandate of the Ministry of Industry and Mineral Resources, while trade was the mandate of a Ministry of Trade & Supplies. In later stages, industry became the mandate of a Ministry of Industry & Technological Development, while foreign trade became the mandate of the Ministry of Economy & Foreign Trade (soon to become the Ministry of Foreign Trade). Starting July 2004, under the current Prime Minister, foreign trade was joined with industry under the Ministry of Foreign Trade and Industry, and then, following a cabinet reshuffle, it became the Ministry of Trade & Industry.

Naturally with each of these changes came a change of mandate, focus, priorities, and philosophy of work. For example, the mandate and focus of a Ministry of Industry and

Technological Development (under which this CSF was initiated) is different from that of a Ministry of Foreign Trade & Industry, and naturally different from that of Trade and Industry. Moreover, it should be noted that the Ministry of Trade & Industry itself was entrusted to successive Ministers; each of whom had his own priorities and philosophy.

With the absence of an overarching industrial development strategy that enjoys the commitment of the state and is not subject to change with each cabinet reshuffle, let alone with each minister, maintaining the integrity of an assistance program becomes challenging, at best. These changes bear their mark on programs, institutions, assistance projects, and of course industrialists. The CSF meanwhile could not afford to be unresponsive to the priorities of the government and had to accommodate and respond to these various changes. Its responses yielded mixed results as regards the success of various components.

The Industrial Modernization Center

The Industrial Modernization Center, established under the aegis of the Industrial Modernization Program (IMP) is the major organization entrusted by the Ministry of Trade & Industry to implement its industrial development and modernization strategies. The IMP is co-financed by the EU and the GOE. The IMP is the largest project funded by the EU in Egypt as well as in any other non-EU country. The program's overall objective was to promote GDP growth and the competitiveness of the private sector, with special emphasis on small and medium enterprises (SMEs). Originally, the duration of the program was 4.5 years at a total cost of euro 430 million, comprising euro 250 million from the EU, and the balance of euro 180 million to be financed by the Government (euro 106 million in Egyptian Pound equivalent) and cost sharing contributions from private sector beneficiaries (euro 74 million in Egyptian Pound equivalent). Conceived in 1999, the IMP had a shaky start in the first few years of operation. There was an attempt to rectify the situation in 2002, with the appointment of new management. However, despite this, programme performance remained weak. By 2005, programme disbursements were only 28 million, some 6.5% of its total budget.

Under its present management, the IMC has defined the following support programmes in its scope of activity:

- Local competitiveness program
- National competitiveness program
- Global competitiveness program
- HR development program
- Export promotion program
- Innovation program
- Quality program
- Facilitating access to finance
- Supplier development program
- Cluster program

It targets industrial enterprises with more than ten workers, leaving those industrial establishments with less than ten workers to be supported by the Social Fund for Development (SFD). Therefore the assistance in Borg el Arab falls under the purview of IMC and to FLISC under SFD.

The changes experienced by the IMC are not limited to its management, its programs, target group or the scope of services offered. In its effort to appease the dissatisfaction of

entrepreneurs with previous managements, the IMC has begun to focus on delivering entrepreneurs' stated requirements as opposed to defining enterprise needs on the basis of objective scientific/professional assessment. This important policy shift did also challenge the traditional UNIDO approach to industrial upgrading (see chapter 8.1.2 on the Pilot Programme for Modernizing and Upgrading Selected Industries--Borg el Arab component).

The IMP's support to enterprises constitutes a heavy subsidy to beneficiaries. Initially the IMP cost shared services provided by funding 85% of the cost of technical assistance provided, with the clients providing the remaining 15%. Recently, during the evaluation mission, the program slightly reduced its subsidies to 80% of the cost of services. This heavy subsidization raises serious questions regarding the sustainability of these services in the future.

Analysis of the Institutional Framework

The institutional framework governing industrial development is disjointed and generally suffers from lack of coordination, a high degree of fluidity, continuously shifting mandates and focus, and – at least until very recently - a lack of a unified industrial development strategy.

It is well known that industrial development is a field that cuts across various ministries and entities related to education, scientific research, technology, environment, SME development, customs and taxes, trade, the financial sector, etc. This calls for a high degree of collaboration and coordination among these ministries and entities in order to create the adequate conditions and deliver the necessary support to industrial development. Unfortunately, however, this has not been the case in Egypt. At least until the new cabinet was appointed in July 2004, very little coordination existed among the various parties. Even when efforts were undertaken to develop “policy papers” or “national strategies” they were largely viewed as the exclusive mandate of the Ministry of Industry and little effort was undertaken to create synergies among the various parties concerned.

A particularly important example of the disjointed institutional setup is that while small enterprises constitute the vast majority of industrial establishments, and employ most of the industrial workforce, they are not entrusted to MTI or to the IMC. Rather they are seen as entities that fall within the social sector, and hence are under the mandate of the Social Fund for Development (case of FLISC, see chapter 8.1.1). This in effect perpetuates the horizontal chasm between the enterprise size categories; especially since the industrial development strategy is formulated and implemented in isolation from the SME development strategy.

In its current state the institutional setup poses a serious challenge to any industrial development/modernization program. When it comes to UNIDO's projects, the shifting mandates and priorities had impacts on both the CSF (programmatic) level and the project level. While UNIDO did attempt to be responsive to the changing institutional context, these efforts could not attain a sufficient degree of integration of the program, nor could they adequately adapt the management and implementation strategies of individual components. For example, some projects (e.g. Borg El-Arab) were significantly modified halfway through implementation, while other projects were dropped altogether (e.g. the White Paper). It is hoped that the future will see better coordination of efforts and consistency of vision.

2.3 The Banking Sector

Egypt is an under-banked economy with its banking system dominated by four public sector banks that together account for nearly 57% of total assets, 70% of deposits and 59% of loans. This dominance of the public sector is even more acute if National Investment Bank (NIB) is included, with its control of an estimated 25% of total bank deposits, not to mention the long-term assets of the social security system (estimated in 2002 to be L.E. 20 billion). According to the Economist Intelligence Unit, “banking practices are conservative and the services offered are often basic. State banks suffer from low capitalization; have a high percentage of poorly performing loans made both to public enterprises and to well-connected individuals, massive overstaffing, and stifling bureaucracy”. By late 2004, non-performing loans stood at 25% of the total. In addition, there are tight monetary conditions, brought about by informal pressure from the Central Bank to commercial banks to restrict credit facilities to importers, as well as limit fluctuations in the exchange rate. New management teams with international and private-sector experience have been appointed to the state-owned banks since early 2002 in order to restore confidence in the banking sector and restructure public sector banks to prepare them for privatization⁴.

2.4 Related national and donor programmes

Egypt has numerous assistance projects addressing various aspects of small and medium enterprises development, some of which are remarkably close to the activities contained in the CSF. Annex V lists more than twenty such projects and activities. The abundance of such activities poses opportunities and challenges for an organization like UNIDO. On the opportunity side, there might be room for UNIDO to leverage some of these activities through its technical expertise. On the challenges side however, seen from a market perspective, UNIDO has to demonstrate its competitive edge over other actors. Furthermore, UNIDO (as well as the other actors) have to exert more effort in synergizing and harmonizing their efforts. While donor subgroups were formed to this effect, there is still room for more coordination and streamlining.

2.5 UN System: UNDAF

The Development Goals stated in the United Nations Development Assistance Framework (UNDAF) for 2002-2006 were as follows:

- 1) Enhanced governance, with seven development objectives. The first deals with the development of an Information system and the fourth with job creation to accompany economic growth.
- 2) Enhanced natural resources management, environmental sustainability and food security, with one objective centered on environmental protection
- 3) Poverty reduction to address geographical disparities.

UNIDO support is specifically mentioned on job creation, through its assistance on Investment Promotion, Industrial Upgrading Programmes and Support to Small Scale Leather Based Industries; on environment, through the establishment of the ENCPC, on

⁴ EIU “Egypt at a Glance 2006-07-28”

information with development of information technology and finally on Development of Quality Infrastructure.

UNIDO's involvement in UNDAF 2002-2006 was planned from the start and the activities of the CSF were well integrated in UNDAF. However, the level of abstraction of the UNDAF offered a wide range of interpretation of the specific responses that were undertaken by UNIDO.

The UN Common Country Assessment for Egypt prepared early in 2006 for the period 2007-2011 has three priority areas as follows:

- State capabilities
- Human capabilities
- The essential links

The CCA addresses a total of five UNDAF Global outcomes.

UNIDO is mentioned under the second area, together with other agencies, to set up private sector incentive schemes, to create an enabling regulatory environment, to provide business development services and to promote a strong entrepreneurial culture for SMEs. It further states that UNIDO should cooperate with UNDP to strengthen the capacity of the GOE and the private sector to comply with environmental conventions. The new CCA, therefore, establishes clearer and more precise directions for UNIDO's support to Egypt's development efforts. The financial resources necessary to implement the five outcomes are estimated at \$340 million.

The UN System has now 24 Agency and Programme Representatives in Cairo. The UN System's direct programme delivery expenditure amounts to some \$50 million per year in Egypt, excluding the World Bank and project co-financing from other sources (bilateral, IFT's or the Egyptian Government).

There is also a large representation of International NGOs in Egypt, many of which receive large amounts of resources from the United States and Europe. The International NGOs have been particularly active in the areas of capacity building of local NGOs, welfare, education, environment, human rights as well as health and medical care. The new NGO Law of May 1999 positions NGOs as development partners and stipulates that NGOs must be registered and donations notified, which enhances the authorities' ability to monitor NGO activities and ensure that these do not conflict with the government's policies and programmes.

3

CSF Summary

3.1 Structure and financing status

The structure of the CSF, with its components, subcomponents, critical problems addressed and outputs, as indicated in the document of October 2004, is included in Annex VI. Its status of financing as per 30 July 2006 is indicated in the table below⁵.

Title of subcomponent	Project nr.	Source of funds	Budget foreseen ⁶	Allocated Budget	% of financing
Component 1. Sectoral Support					
1.1 FLISC Phase I	SFEGY97167 USEGY98267	SFD/Swiss	984,510	984,510	100%
1.1 FLISC Phase II	SFEGY04167 USEGY02140	SFD/Swiss	1,448,607	969,847	67%
1.2 Borg El Arab	USEGY00095 TFEGY03002 TEEGY05012	UNIDO/IMC	12,749,221	2,888,872	11% ⁷
1.3 Agro Sector			770,000	0	0%
1.4 Cleaner Production	YAEGY0366 YAEGY03464 USEGY03079	UNIDO/Austria	1,610,233	967,000	57%
Total Component 1			17,562,571	4,319,903	25%
Component 2 Cross-Sectoral Support					
2.1 Investment Promotion	TFEGY96001 TFEGY04001	Italy	1,793,165	1,865,560	104%
2.2 Quality. ETrace	UBEGY00027 TNEGY03003 TFEGY03003	UNIDO/Italy	2,803,503	1,100,651	39% ⁸
2.3 Industrial Information	USEGY00097 SFEGY00001	UNIDO/SFD	1,332,558	103,790	8%
2.4 A Clusters	XAEGY03064 YAEGY03462	UNIDO	534,000	147,000	28%
2.4B Business Development Centers	NCEGY96002	UNDP	136,758	136,758	100%
2.5 White Paper	SFEGY04002	IMC	523,324	523,324	100%
Total Component 2			7,123,308	3,877,083	54%
TOTAL CSF			24,685,879	8,196,986	33%

⁵ Excluding support costs.

⁶ In the CSF document of October 2004.

⁷ This percentage refers to the amount actually spent, which was \$ 1,398,546.

⁸ The low funding level of ETrace does not reflect lack of funding. The project is fully funded and still underway. Installments are being received as planned.

It should be recalled that this version of the CSF was adjusted from its first and second versions by dropping components that were not funded, by including new activities that found funding and by generally simplifying and streamlining the programme design.

3.2 The Programming Exercise

The CSF programming exercise was initiated in March 1999, when the then Director-General of UNIDO, visited Egypt. He held meetings with the then Egyptian Minister of Industry and Mineral Wealth and both parties signed a joint memorandum expressing their desire to enhance future cooperation between UNIDO and Egypt.

Subsequently, a high-level UNIDO mission was fielded to Egypt to develop the agreement reached. Together with the concerned Egyptian authorities, it was concluded that UNIDO would focus on:

- Industrial Information Networks
- Enhancement of Institutional Infrastructure in the areas of Metrology, Standardization, Certification and Accreditation
- Introduction of Cleaner Production Systems in selected industrial sub-sectors
- Development and Promotion of Small and Medium sized Enterprises Policy Framework
- Investment and Technology Promotion
- Enhancement of the competitiveness of selected industries, in particular in the agro-industrial sector.

Following the return to Vienna of the high-level mission, technical missions were fielded to elaborate upon the above components. Both parties then agreed and signed the first version of the CSF document, and implementation of the programme began in September 2000. This document had six components each with a number of subcomponents following the focus indicated above. It included a number of projects that were already operational prior to the formulation of the CSF such as the IPU (sub-component 2.1) and support to FLISC (subcomponent 1.1). It foresaw an external contribution of \$18 million.

In November 2001, a mission was undertaken to contact potential donors for the unfunded portions of the CSF, and subsequently a re-formulation of the CSF was undertaken to align the components with prospective donor priorities. However, due to a subsequent change in the management of MITD, this revision was never formally endorsed. Instead, a re-formulation exercise was undertaken, which resulted in a CSF document approved by both parties in November 2002. This document had two components and eight subcomponents and foresaw an external contribution of \$12 million.

CSF activities for both the original and the approved revised CSF programme had, up to that point, been primarily confined to two subcomponents, Support to FLISC and the IPU in Cairo, due to the slow pace of funding of the other (sub-) components.

In 2003 and 2004 significant funding was obtained, often for purposes that required changes in the components of the previous CSF. As a result, a revised CSF document was prepared during the period of July-October, 2004 to update the document to reflect the various changes that had been introduced since November 2002. The Ministry of Industry signed this document at the end of 2004 but because of delays in the operations of the Programme/Project Approval Committee of UNIDO this document was never formally

approved and signed by UNIDO although it governs the present operations of the CSF. This document has been also used as the reference for the present evaluation.

The evaluation team recognizes the good effort of the previous Team Leader at UNIDO Headquarters in updating and preparing new versions of the CSF in order to reflect the developments that took place with regard to the funding of subcomponents and their implementation.

3.3 Program design

The development goals of the CSF are indicated as “increased economic growth, especially for significant job creation”. The objective of the CSF is indicated as “To build capacities of Egyptian public and private sector to provide the support required by Egyptian industrial enterprises to become more competitive, especially in the food, textile, and leather sectors”. This reflects Egypt's industrialization objective of reaching an annual growth rate of 12% in the Manufacturing Sector, through increased competitiveness of Egyptian industry and increased industrial exports.

The CSF was divided into two components and nine sub-components, as indicated in Annex VI. The structure, while simple, was not conducive to integration.

The quality of programme design is high. The logical framework was well utilized. However the information on risks is limited at programme level and non-existent at sub-component levels. Some indicators were not quantified.

Provisions for a steering committee for evaluation were made but there was no provision made for a national programme coordinator.

3.4 Funds Mobilization

In November 2001, a mission from HQs was undertaken to contact potential donors in Cairo for the unfunded portions of the CSF, but it achieved little success.

In 2003 and 2004 significant funding was obtained by individual efforts (for instance by IMC and ITPO Milan), often for purposes that required substantial changes in the components of the previous CSF.

Funds mobilization suffered from lack of systematic approach and was undertaken on a piecemeal basis. Different interests and opportunities within the donor community (including the Government of Egypt) resulted in the funding of different subcomponents. Those interests and opportunities were revealed through ad hoc discussions between UNIDO BSOs and the donor sources. As a result the CSF had to be gradually modified according to the availability of funding.

4

Implementation of Individual Components/Sub-components

4.1 Component 1: Sectoral support to upgrade enterprise competitiveness

In this component, specific support to selected sub- sectors and geographical areas was to be provided to allow the targeted enterprise to increase their competitiveness. This component was divided into three subcomponents that are discussed below.

4.1.1 Subcomponent 1.1: Support small-scale leather based industry (FLISC)

Background

The first phase of this component, started before the elaboration of the CSF in 1999 and was completed in 2003. It focused on the establishment of the Footwear and Leather Industry Service Center (FLISC) as a service centre providing assistance with shoe design, pattern engineering and grading to local small and medium-sized companies in the leather industry.

FLISC is not part of the Technology Centres Network of MTI but comes under the Social Fund for Development, a poverty alleviation initiative of the GOE. However, the orientation towards poverty alleviation is not explicitly recognized in the CSF document describing the objective of this sub-component as “ to improve the competitiveness of the Egyptian leather sector, including tanneries, but primarily small and medium footwear and other leather goods manufacturing enterprises”⁹.

Funds mobilization

The funding to this subcomponent had already been assured before the CSF came on stream through a Swiss contribution matched by SFD funds. The budget of this subcomponent was funded in two phases as follows:

<i>Project number</i>	<i>Title</i>	<i>Allocation</i>	<i>Actual expenditures & commitment</i>	<i>Balance</i>
SFEGY97167 Swiss	FLISC I I	607,422	607,422	0
USEGY98267 SFD	FLISC II	280,863	280,863	0
SFEGY04167 Swiss	FLISC II	282,947	271,418	11,528
USEGY02140 SFD	FLISC II	486,906	412,636	74,270
TOTAL		1,658,138	1,572,339	85,799

⁹ UNIDO, Egypt CSF, October 2004 (approved by GOE May, 2005).

Phase I is completed with a budget of \$888,285 funded by SFD (2/3) and by Switzerland (1/3) of which about half was spent on project personnel, \$140,000 in training, \$249,000 in equipment and \$43,000 in miscellaneous

Phase II is still ongoing but practically completed: with a budget of \$769,853 was co-funded 50:50 by SFD and Switzerland. This was spent as follows: 40% on project personnel, 20% on training, 40% in equipment and a small amount in miscellaneous.

Institutional Framework

FLISC is located at the Small Enterprise Development Organization (SEDO), part of SFD.

The structure and history of technology centers in Egypt bears mentioning in this context. SEDO (and the SFD) had two other technology centers in furniture manufacturing and textiles and garments. Both technology centers were not successful and were closed down, leaving FLISC as the only such center within the SFD. On the other hand MFTI has some seven technology centers working in various fields of industry. Since recently the MFTI is in the process of establishing a leather technology center with financial support provided by the Government of Spain.

Other important institutional actors in the field include the El Ameriya center founded with assistance from GTZ in the late 1990s. Equipped with manufacturing machinery, the center offered vocational training in addition to design services. However the design services were stopped after the equipment broke down and the center now only provides vocational training. Another service provider is the Chamber of Leather Industries whose technical services and training, according to one entrepreneur, are better than those offered by FLISC.

FLISC refers the clients who need vocational training to the El Ameriya center. However, the existing project documents and analyses do not recognize the exact niche, role and comparative advantages of FLISC in this relatively crowded environment.

FLISC management

FLISC is staffed and managed by SEDO employees and managed by the director of the aforementioned closed down furniture technology center. FLISC staff appear to be well trained and includes:

- Manager
- Four designers
- One laboratory technician
- One marketing specialist (resigned)
- One finance and administration officer

According to the latest Self Evaluation Report, the SFD is either slow or unable to provide the required in-kind contribution, and hence, certain inputs were provided against the project budget, rather than as a counterpart contribution. Moreover, such delays (e.g. in the provision of space for the sample making workshop) have negatively affected the pace of implementation on some fronts.

FLISC is managed in a public sector style. Basic management functions are carried out but little proactive market-oriented effort is undertaken. The compensation offered to FLISC

staff is not tied to performance and as such does not reward higher productivity or market orientation.

The outreach of the centre is limited (especially after the marketing specialist quit the project) and little marketing of services is undertaken. The demand on FLISC's services seems relatively low. Despite this, interviews with entrepreneurs indicate that FLISC often suffers from a backlog of clients due to its limited capacity.

Outputs

The outputs of Phase I were planned as follows:

- 1) An operational service center capable of providing assistance to local small and medium size manufacturing units in shoe design, pattern engineering and grading.
- 2) A set of marketing and information tools (e.g. fashion newsletter) developed/introduced, including 12 opportunity and/or feasibility studies.
- 3) Two reports with recommendations based on the worldwide experience of introducing legislation and economic incentives for implementing environmental protection solutions in tanneries.
- 4) Six designs for typical small-scale tanneries prepared and introduced to entrepreneurs including machine layouts, infrastructure specifications, list of equipment, estimates of investment requirements, recommendations on using cleaner technology and pollution control, description of various technologies available for effluent treatment and solid waste utilization, a one-week training seminar introducing considerations influencing the selection of technology and designing new plants.
- 5) Designs and prototypes of small equipment to be produced locally for small-scale leather products manufacturers.
- 6) Physical testing laboratory for leather and its derived products' quality assurance.

These outputs were achieved, in terms of establishing, equipping, staffing and operating the center and its laboratory. The marketing and information tools, namely the newsletter, were produced as well as reports and designs of equipment. However, the utilization of the reports and equipment designs by the respective end-users has not been documented. By contrast FLISC's support to the leather-tanning sector was reportedly successfully delivered and the related outputs are widely used by tanners and the IMC. However, this output was not further pursued in Phase II.

The planned outputs of phase I have been achieved in terms of establishing, equipping, staffing and operating the center but FLISC's performance leaves room for improvement. The support provided by FLISC to the leather-tanning sector was reportedly successfully delivered. According to documentation FLISC's outputs are widely used by tanners and IMC. This output however was not pursued further in Phase II. The evaluation team did not explore this output in depth.

Phase II began in 2003 and is practically completed. The outputs of this phase were planned as follows:

- 1) Well-trained and competent staff with confidence based on practical experience that are able to provide the following services to its customers (i.e. target beneficiaries of the project) in the field of footwear and leather goods manufacture.
- 2) Upgrade infrastructure (facilities and equipment) at FLISC complementing hardware required for reliable services to the local leather-based industry)
- 3) Re-organized modal cluster to produce footwear as per “Italian-model” where several small-scale manufacturers are working in cooperation, each producing a part of the product in a specialized workshop and where the final product will be marketed through a joint marketing organization.

Output 1 (well-trained and competent staff): The UNIDO project manager and FLISC management hold contrasting views with regard to the achievement of this output. While UNIDO estimated the progress to be 30% of the expectation, FLISC management reported that this output is 80% achieved.¹⁰

Output 2 (upgrading the infrastructure of FLISC): accomplished.

Output 3 (the Italian model or cluster): In progress. The project document of phase II stipulates that FLISC should identify the plant lay-outs and the needed machinery and equipment; make financial arrangements, loans, credits, pay-back calculations, arrangements, etc. and procure the equipment.

The evaluation team interviewed the lead entrepreneur developing the so-called Italian model in Benha and supervising the operation of the equipment. According to him, the equipment has been procured and shipped to Egypt and a place was identified to install it in Benha. The equipment will become the property of the cluster (headed by the lead entrepreneur), but FLISC has not yet established the terms of payment for the equipment. In other words the hardware provided in support for the development of this business model will be provided on a grant and not on a commercial basis. This approach would negate the central purpose of the exercise namely demonstrating the commercial viability of the “Italian model” under real world business conditions.

Relevance and needs orientation

The objective of this sub-component “ to improve the competitiveness of the Egyptian leather sector, including tanneries, but primarily small and medium footwear and other leather goods manufacturing enterprises” is relevant. Furthermore, the implicit orientation towards poverty alleviation is justified.

Theoretical demand is significantly larger and wider than what has been covered (and can be covered) by the centre. FLISC is barely covering 6% of the theoretical market taking FLISC management’s conservative estimate of the market size (5,000 enterprises that could benefit from the services FLISC offers against the reported number of clients (300).

¹⁰ Monitoring and Self-Evaluation Report (1/1/2005 – 31/12/2005), p. 5

Originally and in accordance with the Programme Document, the project targeted small & medium enterprises¹¹, however by the end of Phase I and the beginning of Phase II it was clear that the focus has in effect shifted to micro and small enterprises. In the Project Document of Phase II, micro and small enterprises are explicitly stated as the main target beneficiaries, with the medium sized enterprises designated as a secondary target. The evaluation team believes that this new orientation is correct since this is the group that faces greater risk to their survival due to emerging international competition.

However, little effort was undertaken, in terms of better understanding the market, the needs of the different clients, strategizing for the organization, developing and adjusting services in a responsive manner, or maintaining a constant eye on the market targeted by FLISC's clients. Furthermore, owing to the detachment between FLISC and the segment of the local trade targeted by its clients, the designs made by FLISC are not seen as particularly superior to those of other local designers. FLISC clients seem to rely on their own observations of local market trends among their client base, as well as on local designers they deal with.

Currently, the project is focused on the activities through which the following services are supposed to be offered to entrepreneurs:

- Product development and design assistance (footwear design, pattern engineering),
- Leather products marketing,
- Testing through the laboratory housed in FLISC,
- Establishment of component manufacturing micro-enterprises, and
- Implementation of the so called "Italian model", which basically consists of specialized production of components and joint marketing by a cluster of small shoe makers.

While the services offered by FLISC are relevant, there are wider and more fundamental needs for the target group that have not been met. These include inter alia assistance and training in the business management aspects of the enterprise (e.g. management, marketing, accounting, etc.). Without these basic business and entrepreneurial sets of skills, knowledge and attitudes, the likelihood that the entrepreneur will benefit from technology-focused assistance is reduced so the relevance of the intervention is diminished.

Outcomes

Under Phase I the expected outcome of the project was "improved product designs, increased leather exports"¹². Under Phase II, the expected outcome was "enhancing the development potential of the Egyptian footwear and leather products manufacturing sector by upgrading the operations of the existing FLISC to sustainable level so that it can assist in the restructuring of the industry in order to avoid a total collapse of the sector".

The outcomes as stated above are difficult to ascertain or impossible to attribute to FLISC and the project did not carry out any monitoring of expected outcomes.

¹¹ See for example UNIDO, Egypt CSF, October 2004 (approved by GOE May, 2005), p.25, IP Self Evaluation Report (IS/SER), September 2003, p.1., and Monitoring and Self Evaluation Report (1/1/2005 – 31/12/2005) p. 2.

¹² IP Self-Evaluation Report, September, 2003.

The evaluation could not fill this monitoring gap by an assessment exercise due to an absence of information and baseline data, a control group, an intervention group, drop out clients, repeat clients, etc. However the observations of the evaluators suggest that the clients targeted by FLISC (small and micro) are far from being competitive and the assistance received through FLISC has had a marginal impact. Through its interviews the evaluation mission found that:

- FLISC's designs, as stated above, were not perceived as significantly superior to those of other designers in the market.
- FLISC's services might have contributed to an increase in the sales, and possibly limited exports, of some of their clients. However, one entrepreneur that succeeded to export to Ukraine was not approached for another order afterwards.
- Given the limited outreach of the project, together with the productive capacity and target market of FLISC's clients, it is highly unlikely that it has had a significant impact on the macro level, in terms of national leather exports or in restructuring the leather industry.

Capacity building and sustainability

As per the project document, FLISC is expected to earn at least 50% of the operating budget by the end of Phase II. At present FLISC covers 10-15% of its operational expenses from service-derived revenue. Given the current cost-recovery levels, together with the limited outreach, it is highly unlikely that a significant improvement will take place between now and the end of the project (scheduled for December 2006).

Furthermore, it is worth noting that, beyond requiring FLISC to charge fees for its services, the project design did not address the future financial sustainability of FLISC as an institution. FLISC does not seem to have a business plan. Rather, cost recovery targets seem to be set arbitrarily and are not tied to a work plan.

Therefore the mission considers that despite the resources used for technical assistance, FLISC is far from being a financially sustainable institution.

4.1.2 Subcomponent 1.2: Pilot Programme for Modernization and Upgrading of Selected Industries in Borg el Arab

The Industrial Modernization Programme

The accession of Egypt to the WTO and to regional trade liberalization arrangements necessitates the adjustment of Egyptian industry to a more competitive environment. This means improvement of business efficiency but also the weaning of business from its expectation of protection on the domestic market and subsidization of exports.

Since 1997, the Egyptian government and private sector discussed and initiated an Industrial Modernization Programme (IMP). In mid 2001, the EU committed to co-funding this programme and devoted euro 250 million as external support, supplementing the euro180 million of Egyptian funding. The IMP in Egypt is the largest industrial support programme the EU has ever funded in the developing world. EU funding should support the IMP until the end of 2006, after which the Government of Egypt should assume the entire financial responsibility.

The strategic goals of the IMP are to: upgrade Egyptian technological skills to international standards; improve the performance of the workforce at all levels; enhance investment opportunities; and to develop an appropriate business environment for better efficiency. The IMP intends reaching these goals through: enterprise upgrading, encompassing improving productivity, quality, support for export-oriented activities, enhancing competitiveness and training; the provision of sectoral support, including the establishment of 20 Business Resource Centres throughout Egypt and the identification and promotion of local or sectoral clusters; and policy support including regulatory reform, strengthening the legal environment and strengthening the Ministry of Industry and Technological Development.

The IMP defined verifiable targets for the technical assistance provided. Those targets were: improved competitiveness for about 5000 enterprises; improvement in the ability of business associations to represent and serve their members' interests; increase in the effectiveness of about 300 Egyptian business consultants and trainers; an improved business environment, by means of the institutional development of the Ministry of Industry and Technological Development and about 20 support institutions including training and research institutes. As a main body for implementing the IMC the Ministry created an Industrial Modernization Centre (IMC)

The involvement of UNIDO

Until 2003 the IMP had disbursed only about 6% of its budget. During 2002 and 2003, UNIDO discussed, with the top management of the IMC, UNIDO's possible involvement in the IMP. As a former head of the "mise-à-niveau" programme in Tunisia the then Executive Director of the IMC was familiar with UNIDO's work in this area. In order to draw upon UNIDO's experience in supporting industrial modernization programmes in Tunisia, Algeria and other MENA countries, IMC subcontracted UNIDO for implementing part of the IMP in the industrial zone of Borg El Arab in the Greater Alexandria area

The Greater Alexandria area accounts for about 40% of Egypt's total industrial manufacturing. Borg El Arab, as the second largest regional contributor, has an 18% share of industrial manufacturing output within greater Alexandria. Borg El Arab manufacturing capabilities revolve around nine major industries.

The immediate objectives of this sub component of the CSF were to support the IMP with:

- Enabling the Ministry of Industry and Trade to set up an Industrial Modernization Unit that could oversee the management of the programme;
- Building capacities, in both the public and private sectors, to support industrial modernization, upgrading and improvement of competitiveness;
- Modernizing and upgrading a minimum of 100 selected enterprises located in the Borg el Arab region;
- Establishing at least three consortia for export promotion.

Funds mobilization

The component consisted of three sequential projects:

Project number	Title	Initial allocation (\$)	Actual expenditure (\$)	Balance (\$)
USEGY00095	Setting-up of an upgrading unit at MIT	44,201	41,869	2,332
TFEGY03002	Programme for modernization and upgrading of selected industries in Borg El Arab	468,985	468,985	0
TEEGY05012	Programme for modernization and upgrading of selected industries in Borg El Arab	2,375,686	887,692	1,487,994
TOTAL		2,888,872	1,398,546	1,490,326

The first project, funded from a Special Purpose Contribution (U.K.) to the Industrial Development Fund, was designed to cover the first of the above subcomponent objectives. The latter two were financed by the IMP and designed to meet the other three objectives, within two phases. The component was scheduled to be implemented over the period November 2003-December 2005. Activities ceased in December 2005 with more than 50% of unspent balances to be returned to the funding agency.

The under-expenditure of the project was due to three reasons: first, the initial project document had an optimistic time frame for project commencement/completion of activities within a two-year time frame and the actual operations of the project were slow to come on stream due to difficulties encountered in setting up the project management and securing the interest and participation of the target business community; second, once project activities commenced fully, UNIDO deployed (cheaper) national expertise as opposed to (considerably more expensive) international consultants for technical assistance projects provided to client enterprises; third, the slippages in implementation could not be recuperated due to changes in IMC management that wanted to terminate project activities in December 2005, rather than re-phase them beyond the originally envisaged twenty four month period. Despite the cessation of project activities, the projects are not yet recorded as operationally completed in UNIDO's financial system.

Relevance and target groups

As a part of the IMP this component of the CSF was directly relevant to Government priorities.

The project document defines three target groups:

- Regional industrial support institutions in Borg El Arab including industry associations, R&D institutions such as the Mubarak City for Scientific Research, as well as individual consultants who would increase their capacities to support enterprise modernization and upgrading.
- Industrial enterprises in Borg El Arab, of which at least 100 SMIs would be direct beneficiaries of the programme in terms of improved productivity, quality management, export capacities and competitiveness.

- Borg El Arab's Investors Association who would directly benefit from the technical assistance provided under the programme. This includes strengthening the capacities of the staff of the association.

Institutional Framework and ownership

At the apex level of the IMC there was a high degree of ownership and trust manifested to UNIDO since the funding of UNIDO's involvement was from the EU/GOE resources awarded to the IMC.

However, at the local level, ownership was somewhat diffused. As already noted, the IMC had created prior to the UNIDO involvement several Business Resource Centres throughout Egypt to manage the technical assistance for enterprises under the IMP. The regional BRC office in Alexandria is such a centre, supplemented by a sub-regional BRC in Borg El Arab. In addition to this pre-existing well-developed BRC infrastructure UNIDO established a UNIDO Modernization Unit (UMU) in Borg El Arab staffed with UNIDO project personnel. The UMU worked with the two BRCs but was autonomous from the latter, rather than being integrated into a coordinated effort.

Project supervision and accountability was exercised through a Steering Committee composed of the President of the Investors Association (Chairman), a representative from the Membership of the Association, a representative from IMC / Technical Assistance Component, a UNIDO headquarters representative and/or UNIDO Representative in Cairo, the Alexandria IMC/Business Resource Centre Regional Manager, and the UMU Director in Borg (Secretary). The Steering Committee met regularly to review progress, identify strategic issues and guide the project in dealing with those issues.

Local ownership by the business community was initially weak, as companies did not see the actual benefits from the IMP and from the UNIDO projects. It took some time and persuasion of the leading members of the Borg El Arab Investor's Association to overcome this reservation.

Indeed, one manifestation of ownership was the cost sharing arrangement, with beneficiary enterprises, established for the technical assistance provided by the IMC, under EC stipulations. These stipulations were meant to stimulate collective involvement of enterprises. In cases where three or more enterprises were grouped into a technical assistance service beneficiary enterprises were required to pay 15% of the technical assistance costs; in cases of less enterprises involved the cost share increased to 30%. This cost sharing arrangement, while logically sound, caused considerable bargaining/discussion on the costs involved, and in fact, posed an obstacle to diligent project implementation. Nevertheless it should be underlined that enterprises did cost share services, proving that their perception of benefits from the services provided.

Outputs at company level

The original project document specified clear and concise outputs, in terms of capacity building, the upgrading of enterprises and the creation of export consortia.

As regards the upgrading of enterprises, it was stated that 100 enterprise-level strategic diagnostic studies would be completed, and 100 enterprises would be upgraded. Additionally, it was planned that 30 enterprises would be assisted for ISO 9000 certification and 20 enterprises assisted for HACCP implementation. The target for

upgrading plans/implementation was later revised downward to 80, on account of the project implementation slippage.

By the end of the project 87 enterprises were pre-assessed and 299 service proposals developed; 55 businesses participated successfully in upgrading projects and 140 technical assistance/upgrading services were provided; 39 enterprises were certified or are under certification for ISO 9001, ISO 14001, ISO 18001 and ISO/TS 16949; 12 enterprises implemented HACCP with no failures, and five further projects were underway. In addition, 159 interventions/project proposals were transferred to the IMC for implementation. In the 87 enterprises supported, 63% of the technical assistance provided was for ISO Certification (ISO 9000, 14000 and 18000) and 14% of the projects were for the implementation of HACCP.

As regards the creation of export consortia, UNIDO undertook a mission in July 2004 and presented proposals for the creation of consortia in garments, yarns and food processing to the IMC in May 2005. A limited number of companies were interested to embark on this new experience but their perceptions were different from UNIDO with regard to the approach. As they were from different sectors of industry UNIDO technical staff felt that their business commonality was insufficient to establish an export consortium. Eventually, the IMC did not approve the funding and the objective of establishing export consortia was not met.

Shift in industrial upgrading methodology

As mentioned in chapter 6.2, on the institutional environment, the IMC experienced changes in management, programs, target groups and the scope of services offered. Confronted with dissatisfaction of client companies the IMC had to move to a more client centred approach.

These macro changes had direct consequences for the UNIDO project that had to change methodology soon after start. The initially anticipated three-step approach was abandoned by which the scope of diagnosis would have been gradually narrowed down and deepened. For reasons of cost and time most client enterprises were not willing to participate in such in-depth analyses. As a consequence the diagnosis had to be simplified to a single stage analysis, based largely on the perceptions of the individual managers.

This methodological shift results from the cost-sharing model imposed by the EC, which confronts the entrepreneur directly with the considerable cost of a comprehensive in-depth analysis, in particular if carried out by international experts. It should be underlined that in other countries UNIDO still applies a full subvention approach where companies are not supposed to participate financially but subject to a top-down full-scale analysis. Quite clearly the Egyptian model puts the entrepreneurs much more in the driver's seat.

As already observed, the methodological shift seems also to be a primary reason why more than 50% of the available budget was not spent. The 'lighter' diagnoses relied mostly on local experts and hence were less expensive than anticipated. However, UNIDO did not manage to use the remaining budget for the actual upgrading of companies. A larger number of more in-depth and more comprehensive upgrading exercises would have been possible but did not materialize because the new IMC management did not accept an extension of the UNIDO contract beyond December 2005.

Outcomes at company level

As regards the outcome of the enterprise level interventions, the documentary and field visits suggest that the beneficiary enterprises improved their process management as a result of the ISO and HACCP implementation. These may also have had a positive effect on profitability but in the absence of an appropriate outcome monitoring system, verification of such claims remains anecdotal and speculative.

The evaluation team notes that the majority of the realized interventions were limited to ISO and HACCP implementation. While beneficial, those process management tools are not a panacea for improved competitiveness and upgrading of enterprise. Increased profitability, productivity enhancement and better market performance rely critically on product innovation, improved financial management, improved technology, skills or marketing capabilities. Such issues were not addressed directly in the upgrading assistance provided by the project.

Obstacles and efficiency

The efficiency of the project was constrained by the following obstacles:

- There was a high turnover of project staff. Over the two years of operation three different international experts managed the project in the field, and each of them had to leave due to varying reasons,;
- The project took some time to develop its full momentum and secure the trust and support of the target business community. The EU requirements on implementation and necessary financial authorizations added to these delays;
- A considerable amount of time was absorbed by individual negotiations with beneficiary enterprises as to the costs and types of assessment to be undertaken, as well as in the formulation of the technical assistance proposals.

Of the total expenditures under this component (i.e. all three projects) about 41% was spent on international project personnel, and about 9% on short-term national experts. Another 32% was spent on national and international subcontracts. Based on the number of enterprises assisted and the amounts spent, an average of \$16,000 of technical assistance was provided per enterprise. This cost appears to be reasonable as it would, for example, be equivalent to the amount necessary for ISO certification.

Training activities

The project trained 89 national consultants in upgrading and modernization techniques (planned: 60). 28 national staff were exposed to business performance improvement tools. 36 staff from institutions, businesses and BRC's were trained in the application of COMFAR for project feasibility analysis (planned: 30 high level staff from regional industrial support institutions (Banks, Business Associations) to be trained in upgrading and modernization techniques). The project trained 20 lead auditors in ISO 9000 (planned: train 20 engineers in ISO 9000 and HACCP). In addition the project claims to have facilitated the employment of 15 graduates in Borg el Arab enterprises, developed a middle management course with the Arab Academy and developed a food industry training programme that could be translated into Arabic by the WHO. Also in supervising consultants and analyzing the proposals formulated and received from beneficiary

companies, the project may have introduced consistent international standards for project review and analysis.

While the project terminal report lists either the full attainment or exceeding the project's capacity building targets, the evaluation mission was unable to judge the effectiveness of this capacity building provided to consultants, ISO certifiers etc, since they were not interviewed. However one participant who attended as a trainee a workshop on the UNIDO methodological guide: "Restructuring, Upgrading and Industrial Competitiveness" stated that neither he nor the other participants nor the trainers seemed to have fully understood the training material presented in the course.

Capacity building and sustainability

The project had very limited impact on capacity building. The BRC Alexandria and the BRC Borg El Arab preceded- the UNIDO intervention. They might have served as host counterpart institutions but UNIDO preferred to create its own UMU as a parallel structure. Both BRCs do not seem to have benefited from the capacity building efforts in any significant way. To the extent that they participated in the formulation, analysis, review and monitoring of some upgrading projects, they may have drawn some benefits from the project but these are tangential to their sustainability.

Insofar as the project used and upgraded the practice and knowledge of national consultants, it may have enhanced the commercial sustainability of the local consultant community. However, the project did not monitor or assess this kind of potential outcome and it was beyond the tasks of the evaluation team to fill this monitoring gap.

4.1.3 Subcomponent 1.3: Increased Competitiveness in the Agro-sector

No activities were undertaken under this component (budgeted at \$930,000) because no funding was obtained. The objective of this subcomponent was to formulate a national programme to enhance the development of the agricultural sector with focus on manufacturing of agricultural machinery and processing of agricultural waste.

4.1.4 Subcomponent 1.4: Cleaner Production

Brief Description

The objective of this component as stated in the CSF document is "to build up Egyptian capacity to promote cleaner production techniques in industry, in order to improve the environment in Egypt and make Egyptian enterprises more competitive". This should be achieved through establishing the Egyptian National Cleaner Production Centre (ENCPC). This is in line with the well-tried NCPC approach developed by UNIDO and UNEP under which NCPCs have already established in around 30 countries.

The main services of the Centre are supposed to be:

- In-plant assessments.
- Training in the cleaner production concept.
- Identification, formulation and promotion of investment projects involving cleaner production technology.
- Dissemination of Information.
- Policy advice to the Government.

Several other entities, some of them competitors of the ENCPC, are providing similar assistance and services, sometimes free of charge, in environmental matters:

- The ECO Office –which is DANIDA assisted- with the Federation of Industries, provides a combination of technical and financial support
- A USAid programme provides environmental related technical assistance.
- Financial assistance programmes, sponsored by KfW, EIB and the World Bank, are also underway.

The project document for this component was somewhat loosely formulated and the logical framework was not well utilized in the project design. For example, certain objectives of the centre, like policy advice to the government, are not reflected in the expected outcomes and the outputs and related activities do not seem to have been undertaken.

As a cross-sectoral intervention, this activity should have been included under component 2.

Funds Mobilization

The original project document envisaged the start of activities in November 2001 for a period of three years. The actual start up of the project was in 2003. The information contained in the project document for this component differs slightly from that presented in the CSF Programme Document. It assumed the following contributions including support costs.

Austrian Government	\$880,000
Swiss Government	\$880,000
Egyptian Government (In Kind)	\$300,000

The SFD and the Government of Austria funded the subcomponent in two phases, as follows:

Project number	Title	Allocation (\$)	Actual expenditure (\$)	Balance (\$)
XAEGY03647	Cleaner production programme	10,219	10,219	0
YAEGY03464	Establishment of ENCPC	42,361	42,361	0
UEEGY04479	Establishment of ENCPC	746,603	401,391	345,212
TOTAL		799,183	453,971	354,212

The Swiss contribution did not materialize, allegedly because Egypt has not signed an agreement with EFTA. The host country inputs cover the provision of office space and the salaries of national technical and administrative staff, but not of the management.

Institutional framework and ownership

The ENCPC was established by ministerial decree of the Ministry of Trade and Industry (MTI) as part of the Programme for “Technology Transfer and Innovation Centres (TTIC)”. As a cross-sectoral entity, the ENCPC complements the sector-specific centres. The centre moved to its premises and started operations in July 2005. Ownership by the MTI is strong.

The Centre is supervised by a Steering Committee, which normally meets every quarter. It is composed of:

- Representatives from the Federation of the Egyptian Industries (FEI)
- A representative from the Industrial Modernization Centre (IMC)
- MTI (National Counterpart Organization)
- UNIDO
- One representative from each donor (presently only Austria)

Relevance and target groups

Overall, this intervention is relevant considering that its objectives are consistent with end-user requirements and the need to implement and enforce environmental regulations. Egyptian industry has difficulties to comply with such regulations. About 77% of the Egyptian industry have air emissions problems, 65% have work environment problems and about 55% have wastewater and, to a lesser extent, hazardous waste problems.

However, given a crowded field of competitors, the ECNPC will have to be better determine its actual niche in order to ensure continuous relevance.

In the programme document the focus of operations was stated as the “small and medium-sized enterprises of the textile, chemical and fertilizer, metal processing, food processing and tourist industries in the six most industrialized areas in Egypt, namely, Cairo, Alexandria, El-Fayum, Luxor, Aswan and Sinai”, covering, in practical terms, the entire industry of the country. In contrast, the business plan prepared in May 2006 reduces the ENCPC focus only on the textile and food processing industry.

These rather erratic changes of target groups reflect the attempts for a stronger market orientation. Admittedly, it will be difficult for the Centre to balance a strong market orientation, i.e. concentrate on enterprises that are willing to pay for services, with a focused and specialized approach, be it on sub-sectors, themes or geographical areas.

Two antennae planned in Aswan and El Fayoun were not established because of the more demand driven approach and as a result of a market analysis. Overall, the evaluation mission was satisfied with the more market-oriented drive of the centre.

Outputs

The following outputs of this sub-component were produced as planned:

- Framework conditions for the ENCPC established
 - Market Analysis and service portfolio approved
 - Business plan and work plan prepared
 - The ENCPC premises established
 - The Advisory Committee established and operational.
 - Official project launch undertaken
- Demanded services offered to clients
 - 94 company visits (some repeated visits) (55 on chemical leasing, 39 CP)
 - 13 Meetings with FEI chambers (chemical, food, textile, engineering, Furniture, and Building materials)
 - Meeting with IMC Executive Director

- Establishment of contacts with other stakeholders such as Ministry of Foreign Affairs (Director for Environment and Sustainable Development), UN Global Compact , BASF Egypt and KfW.
- Formal contacts with other Industrial Technology Centres in such sectors as Plastics, Leather and Marble & Granite
- Attendance of several seminars, conferences, trade fairs and exhibitions, presentations and workshops.

The following three outputs foreseen under the Swiss contribution were not achieved:

- Various companies from the textile sector of Egypt have implemented sustainable production modes in their companies.
- Consulting services provided in the field of Corporate Social Responsibility (CSR) to close identified gaps in the social field.
- A pool of local Service Providers coached in order to be able to offer CSR services to the Egyptian market.

Company-internal seminars in about 50 companies have been undertaken to raise awareness for pollution prevention and related topics, as well as to acquire clients for CP projects. Meetings have been organized with FEI chambers (chemical industry, paint industry, food industry, textile industry, metal industry), formal contacts have been established with other stakeholders such as Ministry of Foreign Affairs, UN Global Compact at UNDP, BASF Egypt, and KfW. Other training activities to create awareness have been carried out with the Cairo University and MTI with a total of about 80 participants.

Service contracts with three companies are underway. In one case, the aim is to decrease impacts of air emissions, incomplete burning of fuel and bad odour in a charcoal factory. Two other projects, in a steel re-rolling mill, relate to the reuse of slag and the recycling of metal dust. The three projects above are in the process of being completed. A fourth project relates to the waste minimization in a crystal factory. The evaluators were not allowed to visit the firm.

Activities related to two other objectives (“Implementation of Supply Chain Activities in the Textile Sector Including Aspects on Corporate Social Responsibility (CSR)” and “Establishment of Knowledge Management (KM) Systems” have not yet started.

Early 2006 the ENCPC held an international seminar in Cairo for the textile industry with the objective to link supply (Egyptian textile manufacturers) with demand (European textile buyers and retailers). Several European producers and traders supported and participated at this event as did 46 Egyptian textile companies. The aim was to educate the industry and establish a common understanding of the importance, and steps required, to improve the economic and environmental performance of textile production. This was complemented by matchmaking to secure business cooperation links between or simply further explore possibilities within the supply and demand chain in the Textile Industry. The mission could not ascertain actual business relationships established as a result of this activity. It seems that the main objective was to present environmental management software to the textile industry in Egypt.

A separate activity of the Centre, outside the scope of the UNIDO subcomponent, therefore out of scope of this evaluation, is a “Chemical Leasing Programme”, financed by the Austrian Government under which 7 contracts have been signed with client companies, each one with a revenue to the Centre of £. E. 7,000.

Outcomes

It is still too early to determine whether the Center shall indeed become a service provider for industry in attaining Sustainable Industrial Development (SID). The number of enterprises receiving direct assistance from the Centre is still rather limited. The mission met with the managers of companies involved in three of the projects and found out the work has progressed well.

Capacity building and sustainability

The staff has been trained on the job by the international experts and through participation at various meetings and seminars. There has been no formal and structured training on UNIDO's Cleaner Production methodologies, under the project.

Participation at the following events could be ascertained:

- Expert group Meeting on “Technologies for Soil and Water Remediation and for PoPs destruction” organized by the UNIDO International Centre for Science in May 2005;
- Environment and Economics Training in December 2005 in Italy;
- SAICM Strategic Approach for International Chemical Management in September 2005 in Austria;
- Eco-label workshop in December 2005 in Jordan.

A comprehensive business plan for the ENCPC was prepared in May 2006 for its operations during the years 2006-2008. It foresees financial sustainability for 2009 after around 4 years of operations. At the moment the salary of the Director is financed by UNIDO and there is no provision to integrate it into the internal budget of the Centre. Furthermore there is no provision for depreciation of equipment.

The mission is of the opinion that the full financial independence of the Centre will be not possible. While it is justified that cost recovery should be obtained to the possible maximum, a centre of this type would need continuous financial support from the Government.

4.2 Component 2: Cross-sectoral support to the Egyptian Industrial Competitiveness Programme

Under this component cross-sectoral assistance was provided, in terms of investment promotion, upgraded quality infrastructure and services, improved information and advisory services to public and private institutions in a range of areas. The component is structured into six subcomponents.

4.2.1 Subcomponent 2.1: Investment and Technology Promotion

Background

In 1998 UNIDO established a network of Investment Promotion Units (IPUs) in Egypt, Tunisia, Algeria and Jordan. The initial purpose of this network was to support the ITPO Italy with implementing Italian credit lines extended to the host countries of the IPUs. In the case of Egypt, this credit line targeted Egyptian firms intending to purchase Italian

capital goods and technology. That credit line had a slow disbursement rate due to constraints faced by potential borrowers and intermediary financial institutions. At the time of its creation, the IPU depended formally on the ITPO Italy.

The IPU was integrated into the CSF, with the development of that Framework. The purpose of this sub component was defined as supporting the negotiation and implementation of industrial cooperation agreements between Egyptian and Italian companies. These cooperation agreements could be achieved through Italian FDI in Egypt, the development of other business relationships between Italian and Egyptian firms and purchasing of Italian capital goods and technology by Egyptian firms.

Since early 2004 all IPUs have been directly managed by UNIDO Headquarters. The purpose of this change was to better integrate their work into the mainstream of UNIDO's investment promotion activities. Recent reports of the IPU Egypt confirm that it has cooperated, in addition to the ITPO in Rome, with the ITPOs in Turkey, UK (in textiles), France/Marseille (on an investment fund to be launched in September for Mediterranean countries) and Bahrain (cooperation with the Islamic Development Bank).

According to management the present workload of the IPU is divided as follows:

- 50% on investment promotion
- 20 % on follow up to the Italian credit line
- 30% on other activities.

Institutional framework, funding and ownership

The Unit has been hosted throughout by GAFI, the office responsible for foreign investment promotion and free zones in the Ministry of Investment. GAFI provides office space and related facilities.

Since its inception, the Government of Italy has funded the IPU. Its total budget has been almost \$2 million, devoted mostly to international and national experts.

At its peak the IPU had three professionals from Italy and four local staff (mostly from GAFI) and relied on additional human and financial resources provided by the ITPO Italy. At present it has one Italian professional and two national staff funded by the IPU but no staff from GAFI. There is a management and coordination budget of around euro 240,000 and a budget for technical support of euro 230,000 that do not seem to have been utilized.

At present the IPU does not seem to receive much policy guidance and substantive support from the Ministry of Industry and Trade or from GAFI. The IPU is seen as an Italian operation and its local ownership is, at present, marginal. The situation was better under the past GAFI management, when GAFI was considerably more involved in the activities of the IPU.

The Steering Committee overseeing the activities of the IPU (composed of representatives from UNIDO, Italy, and GAFI) has not met for the last couple of years.

Outputs

The CSF document mentions three outputs, all related to achieving cooperation agreements with Italian enterprises.

A number of investment promotion activities were carried out by the IPU, such as:

- In 2003, an Italy/Egypt Investment Promotion Forum covering six sectors with 700 participants representing 85 Italian and 150 Egyptian companies.
- In 2004, Participation in the Fair Sep pollution of 11 companies and 3 institutions from Egypt.
- Participation in the Fair Sana 2004 in Bologna on natural products for nutrition and health of 5 Egyptian companies and 4 companies in the same fair in 2003.
- In 2006, three business missions to Egypt were organized, comprising Italian firms interested in partnerships in packaging industries.
- The IPU collaborated in the updating of the GAFI investment guide for Egypt.

A data bank containing around 1700 Egyptian enterprises interested in FDI has been prepared for GAFI and a portfolio of around 200 investment opportunities have been identified. However, the mission could not ascertain one case of FDI that was concluded as a result of this effort.

Regarding the utilization of the Italian Credit Line, 14 projects have been supported, all related to the purchase of capital goods and, in one case, technology from Italy. Seven projects are under negotiation; six are funded (around euro 5.5 million). In the past, 54 business plans and 5 sectoral studies were prepared in areas/companies eligible to access the line. Work on the credit line has resumed recently since the Italian Government has committed an additional euro 45 million, which has yet to be allocated. In this connection, the IPU has received 17 applications and developed four business plans.

The IPU has produced a number of additional outputs listed below. In some cases, the mission could not ascertain their impact.

- Possibly the most important and visible was the identification, preparation and negotiation of the funding of the E-trace project, later included in the CSF as sub-component 2.2. The IPU developed the project (2003 - 2004) in cooperation with the ITPO Italy and negotiated the access to financing for this project under the Italy/Egypt debt-development swap scheme. The IPU participated in the preparation of a survey of 150 companies and is now preparing a workshop for financial institutions and the E-trace beneficiary firms in order to facilitate applications and funding of E-trace implementation measures by the targeted firms. That funding could be on a grant basis, from the resources available to the IMC under the debt/development swap, or they could be from other financial facilities. In preparation for this project a seminar was organized, in May 2003, on the so-called Green Corridor. It dealt with the quality requirements for exported vegetables and fruits. The E-Trace project initially started as a purely Italian bilateral venture. Subsequently it evolved into UNIDO implemented project.
- The IPU is cooperating with the ITPOs in Paris and Rome on the establishment of a multi-credit guarantee fund, financed by the EU.
- With the ITPO Japan, a study was prepared on automotive ancillaries industries to identify potential local suppliers for the two Japanese automotive assembly plants operating in Egypt.

- A preliminary assessment of three public pharmaceutical companies has been prepared with ICS expertise.
- A study was undertaken in 2003 on the feasibility and performance of industrial free zones. This study had an impact in terms of influencing the selection of locations for those zones.
- With GTZ a value chain analysis was undertaken on the textile industry.

Outcomes

The IPU exposed Italian businesses to counterparts in Egypt although there is no evidence that this activity has actually attracted Italian FDI. The IPU has assisted in disbursing the Italian credit line by advising on a scheme that enables the opening of the line to more banks, coaching enterprises and banks, and advising the latter on ways to reduce exchange-rate risks.

A number of regional initiatives were promoted by the IPU, in particular the “Regional Investment and Technology Initiative for the Arab Mediterranean to support SME Development through Investment Promotion and Access to Financial Services”, an activity that could develop the regional dimension of the UNIDO Office in Cairo. However there has been no follow up from HQs to this initiative.

Capacity building

The IPU has been instrumental in a variety of training activities, mostly related to good practices in preparing applications for and the financial analysis of credits. This was achieved through training courses or on-the-job training offered to entrepreneurs and financial institutions. Furthermore, staff of GAFI have benefited from the experience of UNIDO, in particular of the ITPO Italy, in supporting the improvement of the environment for FDI.

A number of COMFAR courses on the preparation of feasibility studies have been delivered by the IPU but it is not clear to what extent COMFAR is actually used. GAFI, for one, has not purchased the COMFAR software.

Two delegates from GAFI were placed in the ITPO Italy a few years ago but there has been no recent placement delegates nor is there information available on the impact of past placements.

Three training courses in marketing, operational management and business plans for groups of 20 SMEs have been organized by the IPU in cooperation with IFC in several governorates. Four additional courses are planned. Cooperation with UNV is under discussion.

Recently a training course has started in profitable environmental management in cooperation with NCPC and E-Trace.

Relevance and sustainability

Initially the IPU was designed as a stand-alone project to support the commercial interests of the donor country and the unit has indeed oriented its work towards Egyptian

companies interested in various forms of cooperation primarily with Italian enterprises. The IPU also operated as a bridge between GAFI, Egyptian entrepreneurs and the Italian business community. While the office has been doing useful work and continues to concentrate on investment promotion activities, the evaluators hold the view that it lacks focus and that its relevance is questionable within the current context.

The future institutional position of the IPU will depend on the focus of its activities. If it is to focus on investment promotion, its continuing location in GAFI is appropriate. If it continues to deal with other subjects, including technical assistance project identification of a national or sub-regional nature, it should be integrated in the UNIDO Office in Cairo and strengthen the latter. However, in this event, the Italian Government might not any longer be interested in financing it.

4.2.2 Subcomponent 2.2: Modernization of the Egyptian Quality Infrastructure: Accreditation and Traceability

Brief Description

The component consists of two separate projects. A smaller project was designed to rationalize the Government's Accreditation structure, and to provide training to Government personnel in two accreditation bodies, one each under the Ministry of Science and Research and the Ministry of Industry and Trade. This project is operationally completed. It provided advisory services to the two Ministries concerned and supported study tours to South Africa to expose Egyptian officials to the accreditation system in that country. However, institutional recommendations made by the project such as merging NLAB and EGAC may take time to become implemented and were, at the time of the evaluation, still under consideration.

The larger project, with two project numbers, is entitled "Traceability of Agro-industrial products for the European Market". The project responds to the EC Directive 178/2002 on Food Traceability that establishes stringent guidelines requiring that all fresh produce and food manufactured and sold in the EU, should be fully traceable "from farm to fork" and back again. Operators in the food sector are now required to have product withdrawal systems as well as records identifying the source of their raw material and the businesses they supply. The directive took effect on 1 January 2005.

The larger project is directed at Egyptian fruit and vegetable exporters to the EU. About 170 Egyptian pack houses export fruit and vegetables to the EU. Through the pack houses, the upstream suppliers - farmers, etc - will be incorporated into the traceability scheme. The project concentrates on 9 major food export commodities. It aims to develop and supports the implementation of electronic traceability systems in these packs houses.

The original project document, formulated in 2002 in anticipation of the implementation of the EC directive, envisaged the formation of a local implementation unit staffed by Egyptian Experts. This unit was supposed to be backstopped by UNIDO Headquarters to build/supplement the capacities of the staff of the local implementation unit with ITPO Italy providing some additional Italian expertise.

The unit was designed to provide technical assistance services to clients based on their demands for implementing traceability systems. In addition the project would provide services for:

- The procedures, methodology and rules to be adopted for traceability systems;

- Establishment of a national data base on product quality, origin and destination, for use by national and international stakeholders; and,
- International accreditation of certification bodies in order to facilitate the certification of procedures adopted by Egyptian exporters.

The project has been fully operational since July 2004 with the establishment of the “Egyptian Traceability Center for Agro-Industrial Products for the European Market (E-trace)”. It is expected that this project will be extended after its end in 2007 to cover food manufacturers and plant quarantine facilities.

Project counterparts are the Ministry of Industry and Trade and the Horticulture Exporters Association.

Funds mobilization and budget

The project was developed by UNIDO HQ in cooperation with the ITPO in Italy and the IPU Egypt, as explained above. The Government of Egypt funds the project, utilizing resources under the debt/development swap scheme concluded by the Governments of Egypt and Italy. An additional \$4 million (Egyptian Pounds equivalent) are allocated as a related grant facility, managed by the Ministry of Industry’s Industrial Modernization Center (IMC), to fund enterprise level traceability related upgrading measures.

The subcomponent consists of three projects:

Project number	Title	Initial allocation (\$)	Actual expenditure (\$)	Balance (\$)
UBEGY00027	Business and quality management	102,450	102,450	0
TNEGY03003	Traceability of agro-industrial products for the European market	574,360	574,392	-32
TFEGY03003	Traceability of agro-industrial products for the European market	423,841	323,869	99,972
TOTAL		1,100,651	1,000,711	99,940

About 60% of expenditures have been devoted to experts, 38% of total expenditures are costs of national experts.13% of total expenditures are devoted to training.

Outputs

According to reports presented to the Steering Committee, outputs were produced on time and in anticipated numbers, according to project work plans, especially from the second semester of project operations.

Outputs were of three types:

- a series of training programmes, seminars and awareness raising instruments;
- technical reports and studies, including a traceability manual for general use by enterprise operators; and
- traceability tests and mapping of sources of exportable produce, including a farm-to-retail outlet traceability exercise which tracked a product consignment from a

farm in Egypt to the client retail outlet in the UK. Strategic issues in the system were identified and absorbed into the design of the Egyptian traceability scheme.

Secondly, the project has also helped to define a financial scheme for funding the companies undertaking the implementation of the traceability scheme, as well as the improvement of quality and food safety systems. This was an advisory service provided to the fund managers at the IMC.

Finally, the project assisted companies in preparing applications for the grant fund.

Not mentioned in the work plans is the establishment of the Centre itself. This should be considered an output of the subcomponent.

Institutional Framework and Ownership

The project employs four full time national experts, two administrative support staff, and three office support personnel. These personnel are the core establishment of the E-Trace Centre. In addition services are provided to clients through the project staff and several short-term national consultants or subcontractors.

A Project Steering Committee has been established to oversee the project. This Committee approves project progress and half-yearly work plans. Established under a ministerial decree, the Committee comprises of 13 Members, 7 drawn from Governmental organs and 6 from the private sector. The UNIDO Representative and project staff at the E-Trace Centre serves as the secretariat of the Steering Committee. The Steering Committee has a financial subcommittee that examines and provides recommendations on private sector applications to the grant facility for improvements in the applicant's traceability systems. Grants fund 85% of the applicant's anticipated costs and are set at a ceiling of E£ 300,000 (\$5,200 approximately) per beneficiary.

The Ministry of Industry and Trade and the relevant exporters association are directly interested parties in the maintenance of exports of fresh fruit and vegetables, hence a high degree of project ownership can be assumed.

Relevance and market orientation

Conceptually the E-Trace project is highly relevant since it helps meet a Technical Barrier to Trade for an important sector of Egyptian exports. However, it started only six months (July 2004) before the coming into force of the pertinent legislation in the EU (January 2005). This may have compromised its relevance since the major exporters were already implementing traceability systems at the requirements of their European customers. Thus the project moved from the direct assistance role originally envisaged to the promotional, training and advisory role that the E-Trace Centre presently adopts.

This is a trade facilitation project and is market oriented, by definition. From two field interviews conducted with private sector operators associated with the project, it was confirmed that the project staff were highly responsive to client requests.

Outcomes

The timing of its start-up has circumscribed the impact of the project. It came into existence when the implementation of traceability systems was already under way. However the project outcomes are fourfold:

- Enhanced awareness of the need for, and technical features of, traceability systems;
- Facilitation of the adoption of a standardized and internationally recognized system in Egypt;
- Improved traceability systems at the enterprise level, substituting manual recording with computerized systems; and,
- As a result of all this, maintenance of fruit and vegetable exports to the EU by fending off a potential Technical Barrier to Trade.

The project has played a mobilization role and established the technical basis for norms and standards for implementing those systems. Also it has provided institutional exposure to technical personnel to the standards and practices in two target export markets (UK and Italy) for Egyptian produce. It has also furnished both exporters and importers of Egyptian produce with databases and information on supply sources and locations that could facilitate traceability along the supply chain. Perhaps the most significant impact would be the role of the project staff in helping define beneficiary needs and analyzing beneficiary request placed before the grant fund managed by the IMC. This would facilitate the financing of the upgrading of traceability systems at the enterprise level.

Capacity Building and sustainability

The E-Trace Project provided training to some 600 persons, including 52 trainers, and has produced a traceability manual and databases on locations and sources of produce that enter the supply chain for the commodities in its scope of activity. These indicate a considerable amount of support provided to both awareness and management of traceability systems.

The project works through a stand-alone center, albeit in liaison with relevant governmental and industry bodies. The project and its extension would allow three years of operation of the Center, during which a significant amount of awareness raising, technical training and technical data would have been accumulated and disseminated. Project management felt that the center could be handed over to an appropriate governmental body or to an industry association or support institution. However there are no concrete plans for the hand over, hence for ensuring the post-project sustainability of the effort.

4.2.3 Sub-Component 2.3: Industrial Information Networking

This sub-component is the amalgamation of two sub-components included in the original Programme Document.¹³

Regarding the first subcomponent, the then Ministry of Industry and Technology was planning the establishment of an Intranet among its nine departments, connected to a

¹³ There was a third subcomponent related to the establishment of the “Egypt Exchange” which became an output in the third version of the Programme Document. No related activities took place.

central web server. The departments would be initially represented at the web server with static web sites (Phase 1) and at a later stage linked into a central database to feed a dynamic website (Phase II). The objective was an established Intranet with MOI data warehouse, e-archives and websites.

For the second subcomponent, it was proposed to establish in Egypt a one-stop-shop for business information services to support of SMEs. This one-stop-shop (OSS) would network relevant national and international information sources and provide value-added services to the SME sector. It was to be established in the SFD/SEDO and function under commercial terms. The project covered the formulation of a business plan to establish the unit and its implementation, in case of the approval of the business plan by stakeholders and financing by the SFD.

The budget for the first subcomponent, \$25,000, was financed by UNIDO and for the second, \$66,500, by SFD. The entire budget was devoted to the cost of international and national expertise.

At the time of the project identification (2000 to 2001) relevance of both interventions was high but the relevance diminished with the restructuring and changed priorities of MTI and SEDO.

Institutions that could have hosted the two information systems were respectively the MTI and SEDO. In the future, the Technology Centres Network of the MTI should be the appropriate institution to house a information system which should be technology oriented and market driven.

The following six outputs were foreseen:

- A governance information system within MITD
- A business plan for commercial SME information support
- Establishment of a One-Stop-Shop for SME information support
- Establishment of industrial information regional satellite offices and Subcontracting Exchange Centre
- Implementation of Egypt Exchange
- Assistance provided to MFTI to operate the system, to post/retrieve information and to maintain /update the portal.

An initial design for both information systems was provided in 2001 as well as a business plan for the second information system, which was accepted at a stakeholders meeting in July 2002. Since the financing from SFD did not materialize, the project produced only the second output listed above.

The international expert provided some training to the Ministry staff but there was no follow-up of the proposals. They were, as far as the MTI is concerned, too costly and not enough needs oriented. While recognising the need for an industrial information system, the counterpart Ministry is of the view that the system should be sub-sector oriented and developed according the actual needs of the users.

4.2.4 Subcomponent 2.4a: Cluster and Networking Development

The objective of this sub-component stated in the CSF document is “to increase the competitiveness of Egyptian industrial clusters”. The operational objective was to develop a cluster map as an element for developing a national cluster strategy.

The total budget of this subcomponent was estimated at \$603,000 of which only \$147,000 was funded by UNIDO's own resources. This amount was spent mostly on two high-level international consultants. One study was funded under the White Paper subcomponent.

A national workshop on clustering was organized in 2003 in Cairo and a report was prepared on cluster mapping, containing elements for a national strategy on cluster development. The report identified 109 clusters encompassing 66,000 enterprises in various sub sectors. An operational proposal for the establishment and development of three clusters was elaborated. A project document was subsequently prepared for follow up activities but the MTI did not accept it because of changed priorities.

Activities were terminated in 2003 with no follow-up and the envisaged outputs were only partially achieved, i.e.:

- A National Cluster Development Strategy was prepared
- Action Plans were developed for strengthening three industrial clusters in traditional industries

In the opinion of the evaluation mission, the relevance of this subcomponent was high at the time of the project design and continues to be high.. The activities undertaken under this sub component demonstrated that the SMEs are interested in and could benefit from clustering. However, as there is not much experience in Egypt in cluster-based development the extent of support effort required was underestimated.

The original counterpart for this subcomponent was the MTI. As noted elsewhere in the report, the responsibility for the development of MSMEs, especially those in traditional industries, lies with the SFD. In case this subcomponent is reactivated, the most appropriate counterpart institution needs to be identified and its interest and capacities need to be firmly ascertained.

4.2.5 Subcomponent 2.4b: Industrial Business development services in Luxor

This subcomponent was completed in 2001 and hence was not included in the 3rd version of the CSF document. However, since UNDP funds were allocated and spent on this component, it is dealt with in the present evaluation.

As an input to a UNDP project on urban upgrading in Luxor, a business plan for a business incubator for micro and small enterprises and a proposal for "Industrial Business Development Services" were prepared. Financing was through UNDP-SPPD. The subcomponent was allocated \$137,000, and the allocation was fully spent (1998 - 2001) on international and national expertise.

The following outputs were produced:

- Formulation of a business plan and architectural plans for a pilot business incubator and of a proposal for an Industrial Development Services Center, both of which were included under an urban upgrading programme.
- A separate project proposal on relocation of small and medium enterprises was prepared but nothing materialized, since the Governorate of Luxor changed priorities and the parent UNDP effort was suspended/terminated.

4.2.6 Industrial Governance: Preparation of the White Paper for a Competitive Egypt

Background

In October 2003, the Egyptian Government prepared a Green Paper on Egypt's Industrial Policy. The then Minister of Industry wanted to follow-up this Green Paper by a White Paper, looking at issues and policies to improve Egypt's industrial competitiveness in the emerging liberalized trade environment.

The IMC supervised the preparation of the White Paper and initiated negotiations with UNIDO In December 2003. These negotiations were concluded in February 2004, with UNIDO being contracted to undertake the development of the White Paper. Funding was from the EC/GOE resources devoted to the Industrial Modernization Programme.

In the Terms of Reference IMC combined international expertise with the use of national consultants in order to enhance the country specific dimension. UNIDO was selected on the basis of an analysis of different international institutions but had limited influence on the selection of the national and international consultants, who were selected jointly by UNIDO and IMC.

The IMC wanted to review global trends in sectors of importance to Egypt and, on that basis, establish public-private sectoral action plans for improving productivity and competitiveness of Egyptian industry. The IMC also directly commissioned several national sectoral studies (undertaken by national consultants) that were scheduled for completion by July 2004. Due to delays in contracting national consultants, these studies were available only in December 2004. This delay impinged on the content of the White Paper, insofar as it could not fully incorporate the Egyptian dimension.

Budget

Description	SE/SF/EGY/04/002
Int. Project Personnel	\$503,080
Admin Support	
Project Travel	\$3,000
Other Personnel Costs	\$9,481
ST National Consultants	
Total	\$515,561

Outputs

Overall management of the project was with the IMC, with UNIDO being subcontracted to put together the team of project consultants. A team of national and international consultants, selected jointly by the IMC and UNIDO, produced the White Paper on the basis of the following individual contributions:

- Chapter 1. Egypt in the New Industrial Setting by Sanjaya Lall
- Chapter 2. The Strategy for Competing in the Global Economy by Chris Rodrigo
- Chapter 3. Strengthening the Economic Framework by Hubert Schmitz
- Chapter 4. Part I Building New Industrial Capabilities Patries Boekholt
Part II The Observatory, by Sanjaya Lall

- Chapter 5. Linking To Global Markets by Eoin Gahan
- Chapter 6. Implementation and the Board for Egyptian Industrial Competitiveness by Patries Boekholt
- Consolidation of inputs and overall drafting by Sanjaya Lall and Phillipa Biggs
- Background paper for the Regional Cluster Development Programme by Patries Boekholt

Ownership

This project encountered serious ownership problems. It was specifically tailored to the policy needs of the then Minister of Industry and along the lines of the instructions given by the then CEO of the IMC. Ownership evaporated with the appointment of a new Minister of Industry and CEO of IMC.

Outcomes

The outputs were not seen through to the envisaged conclusion and seem to have found only limited, if any, use in subsequent policy development. It was envisaged that the draft White Paper would be presented to other sectors of Government, the business community and other stakeholders, in a consultative process scheduled for the latter half of 2004. However, due to the change of Minister the presentation of the White Paper was postponed to May 2005. The new management of the Ministry had a different strategy and the White Paper was not followed up. Instead the Ministry issued an “Industrial Development Strategy” in 2005.

In addition to the limited outcome of the study, there seems to have been little integration between this upstream activity and other components of the CSF.

Relevance

Intrinsically, a White Paper is highly relevant to the steering of industrial strategy in liberalizing economies such as Egypt. Strategic position papers, worked out in a collaborative process with the private sector, are the appropriate approach by which national industrial strategies are articulated.

However the document produced under this project was far too general in its prognoses and prescriptions to bear practical relevance to the specificity of the Egyptian economy. For example, the study produced does not deal with the large public sector industry, the banking system and several other issues that may exercise a profound impact on the prospects for Egyptian industrial competitiveness. It did not look at environmental issues as an aspect of competitiveness or examine national innovation systems within the Egyptian context. It mainly dealt with consequences rather than causes of the constraints on Egyptian competitiveness. Perhaps this major shortcoming was due to the delay of the national sectoral studies and the non-incorporation of those findings in the output of the project. The evaluation team did not have access to those national studies so it could not assess whether those would have filled the gaps in the study.

The White Paper was targeted at the policy makers of the Ministry of Industry, the Private sector in Egypt, other economic policy arms of government and stakeholders in the industrial sector. However, private sector involvement was limited due to the events that unfolded during its preparation. The evaluation mission gained the impression that very few people outside UNIDO and IMC know about the White Paper.

5

Implementation of the Programme

5.1 Relevance to Government policy

In general, the CSF has tried to remain consistent with, and responsive to, government policies and priorities. However, the shifting mandates and priorities of the government affected the integrity and integration the CSF as a whole and some of its individual components. Faced with a fast pace of change it is very difficult for an organization, operating in the field of development, to reconfigure its programs and activities, while maintaining a consistent internal logic to the program and the integration of its activities. This is especially the case in the absence of a clear strategic orientation that guides industrial development and modernization efforts and that is endorsed and maintained by the government irrespective of cabinet changes. For example, the White Paper for a competitive Egypt was formulated in response to the priorities and orientation adopted by the Minister of Industry and Technological Development at the time. With the arrival of a new Minister, and the redefinition of the Ministry's mandate, the White Paper was deemed irrelevant to the new priorities and orientation. It is hoped that the new industrial development strategy would provide for the much-needed continuity in the government's orientation.

5.2 Ownership

Overall ownership was strong at the start of the CSF. It decreased with the initial difficulties in funds mobilization and successive changes in government. Ownership was mixed on individual components.

5.3 Sustainability

Sustainability plans were not provided for in the design stage and early in the project life. Measures, which could have been considered, include:

- More elaborate & comprehensive financial sustainability plans
- Integrating capacity building with those plans
- Adequate financial management systems
- Adequate HR management systems

While full financial sustainability is not a realistic expectation for the types of institutions established/assisted, and the kind of services offered, institutions should nevertheless strive to maintain a judicious balance between subsidies and cost recovery for services rendered. In addition to rationalizing the utilization of resources, cost recovery measures constitute a barometer for market demand and for the relevance of the services provided to the clients' needs.

5.4 Target Groups and market Orientation

The team believes that orientation to the Egyptian market for technical cooperation could have been better at both the program (CSF) and the project (subcomponent) levels. On the program level, UNIDO should have undertaken marketing exercises aimed at the target groups during the planning and design stages. This could have been done through more participatory planning and design processes, actively involving stakeholders, target groups and donors. This would have also served to rally support for the CSF early on and mobilize funding for the activities.

On the project level, UNIDO should have utilized and adapted its experience to fit the local context of the different target groups, rather than adopt pre-packaged models. In addition, subcomponents should have had a more effective and dynamic outreach capacity, together with effective client feedback mechanisms, which would have led to a timely service improvement. This would have served to ensure *inter alia* that services offered at the project level were relevant to target group needs.

5.5 Coordination of implementation and monitoring

There was no Steering Committee established nor a National Director nominated. The Team noted that the coordination of implementation lacked agility and responsiveness as a whole as well as in specific subcomponents. This can be partially attributed to the way UNIDO is structured to conduct business. In this regard the Team noted that such a wide array of projects and activities call for:

- More delegation of authority to the field office (team leadership).
- Sufficient technical resources in the field office.
- More resources to manage the backstopping workload at headquarters.
- Enhanced responsiveness to local conditions.
- Design and implementation adjustments to be made in a more timely manner.

These conditions cannot be adequately met except by an agile market-oriented organization with streamlined systems and procedures on all levels. Excessive bureaucracy and rigid allocation of resources may hamper successful implementation of activities.

Monitoring of the programme as a whole and for individual subcomponents was made on the individual initiative of the respective responsible officers thus they were not uniformly structured. There was lack of prompt intervention of the managers of the respective technical branches at UNIDO Headquarters.

5.6 Identity and integration

As previously argued, maintaining relevance and responsiveness to government's policy came at the price of weakening the integrity and integration of the program. However, relevance to the government is not the only factor at play. At least equally important is the fact that UNIDO has no independent funding, and as such, it is constrained to be as responsive to the priorities of donors, as it is to country needs. Taking these two factors together, it is not surprising that the CSF seems more like a collection of projects that were grouped, *ex post*, under (sub-) components, rather than a program that followed a consistent planning and design process that resulted in certain projects. Maintaining this customer orientation (*vis-à-vis* the government and donors) while developing and maintaining an integrated and consistent program is a difficult challenge. Despite this,

even within the context of the CSF as it currently stands, the Team noticed that there was room for more synergies between activities and components during design and implementation stages. For instance, several of the Borg El Arab entrepreneurs interviewed did not know about the IPU Italian credit line that they could have used for upgrading their enterprises. Another example cited earlier is the HACCP assistance provided by two or three components, in independence from one another. It is hoped that continuity in the GOE's Industrial Modernization Program and more effective UNIDO Team leadership from the field office will enhance the integration and consistency of eventual follow up activities to the CSF.

5.7 Capacity and institution building

Capacity building involves more than just training. Training was an important feature in the implementation of the CSF. However, a proper capacity building approach for the CSF should have had included among other things, development of management systems, remuneration schemes, governance structures, workflow processes, operating procedures, etc. Training staff, with insufficient provision for the other factors is unlikely to yield significant results. For example, while FLISC has well trained designers, its lack of market-orientation, minimized the benefits obtained from this training.

Capacity/institution building starts with the selection of the host institution that is to house the newly created or supported structure or program, as well as determining the degree of autonomy the latter would enjoy. Hosting a fully market-oriented entity in a larger organization that does not share the same orientation can either stifle the new program, or create various organizational tensions. In addition, organizational culture is a variable that has to be taken on board when creating new support mechanisms. Unless the organizational culture of the host organization is supportive of the operational philosophy of the new entity, the endeavor will face significant resistance and run into many obstacles. Similarly, the future of the assisted/created organizations should have been explored right from the start to consider and various scenarios, and provide for the ones likely to be adopted. For example, spin-off schemes should also be carefully planned and provided for and not just mentioned. Capacity building needed to have been tied with both the sustainability plan and the planned scenario for the future of the institutions served.

5.8 Innovation

The approach taken by UNIDO to the IP concept, and to an extent to the CSF, leaves little room for innovative actions since it is centered on pre-designed standard packages. It is therefore no wonder that evaluations of IPs and CSFs uncover little innovation. In the case of the CSF Egypt the utilization of the debt/development swap scheme to finance the E-Trace system was an observed innovation. The ETrace system itself is another innovative substantive area of work for UNIDO.

Annex I: Terms of Reference

INDEPENDENT EVALUATION OF THE UNIDO COUNTRY SERVICE FRAMEWORK IN EGYPT

I. BACKGROUND

1. In the light of globalization and EU-free trade zone agreements, the challenge of the UNIDO Country Service Framework (CSF) in Egypt is to create employment, attract investment and address environmental problems that the country faces. Against this background, the objectives of the CSF are to strengthen public and private sector capacities in Egypt to improve the competitiveness of Egyptian enterprises with special emphasis on the food, textile and leather sectors. The UNIDO CSF focuses on the following areas:

- Industrial information networks
- Enhancement of infrastructure in the areas of metrology and standardization, certification and accreditation
- Introduction of cleaner production systems in selected industrial sub-sectors
- Development and promotion of small and medium sized enterprises
- Investment and technology promotion
- Enhancement of competitiveness of selected industries, in particular in the agro-industrial sector

2. Initially the CSF was launched in 1999 after approval by UNIDO and the Government of Egypt starting with phase one.

3. Following a decision to re-formulate the CSF in line with changing priorities the CSF was revised to provide an even greater focus on Industrial Competitiveness and a greater concentration on priority industrial sectors or sub-sectors. The reformulation aimed also at greater complementarity with the overall Industrial Modernization Programme and allows UNIDO to implement various IMP-funded activities, such as enterprise upgrading and improvement of the quality infrastructure.

II. BUDGET INFORMATION

Current planning figure (incl. project support cost): \$13,040,337

Current planning figure (excl. project support cost): \$11,540,122

Component	Budget planned (in \$)	Budget allotted (in \$)	Funding level (in percent)
Multi-purpose	0	1,013,726	100
Sectoral Support to Upgrade Enterprise Competitiveness	7,275,497	5,803,690	80
Cross-sectoral Support to the Egyptian Industrial Competitiveness Programme	55,000	0	0
General Management	410,000	0	0
Total (in US dollar)	11,540,122	9,819,724	85

Source: UNIDO. 2005. Country Service Framework: A Progress Report (as of 31 October 2005)

4. As shown in the above funding overview, the CSF achieved a considerable funding level of more than 80%. However, a number of planned products could not be delivered during the phase under evaluation.

III. EVALUATION TEAM

5. The evaluation team will be composed of an international expert (team leader), a staff member of UNIDO and a national evaluation expert. All members of the evaluation team will be contracted by UNIDO. The tasks of each team member are specified in the job descriptions attached to these terms of reference.

Members of the evaluation team must not have been directly involved in the design and/or implementation of the programme/projects.

The UNIDO Field Office in Cairo will support the evaluation team.

Donor representatives from the bilateral donor Embassies will be briefed and debriefed; and will be offered to participate during the evaluation of the components and/or projects they have funded.

IV. TIMING

6. The evaluation is scheduled for June to August 2006. Preparatory meetings are planned to take place in June 2006 in Vienna. The evaluation mission is planned for 25 June to 10 July 2006.

7. Immediately after the field mission the team will come to Vienna for debriefing. The final version of the evaluation report will be submitted 6 weeks after the debriefing at the latest.

V. INDEPENDENT EVALUATION

8. Independent programme evaluation is an activity carried out during and/or at the end of the cycle, which attempts to determine as systematically and objectively as possible the relevance, efficiency, achievements (outputs, outcomes and impact) and sustainability of the programme. The evaluation assesses the achievements of the programme against its key objectives, as set in the Programme document, including re-examination of the relevance of the objectives and of the design. It also identifies factors that have facilitated or impeded the achievement of the objectives.

VI. PURPOSE

9. The purpose of the independent evaluation of the Country Service Framework in Egypt is to enable the Government, UNIDO and donors to:

- (a) Assess the efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities.
- (b) Assess the outputs produced and outcomes achieved as compared to those planned and to verify prospects for development impact.
- (c) Provide an analytical basis and recommendations for the focus and (re) design for a possible continuation of the programme under a Phase II.

10. The evaluation is conducted in compliance with UNIDO evaluation policy.

VII. EVALUATION: METHOD AND REPORTING

11. The evaluation will be conducted at two levels: evaluation of selected CSF components and evaluation of the programme as a whole.

12. The evaluation will be carried out through analyses of various sources of information including desk analysis, survey data, interviews with counterparts, beneficiaries, partner agencies, donor representatives, programme managers and through the cross-validation of data. While maintaining independence, the evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all parties.

13. The evaluation report shall follow as much as possible the structure given in annex 1.

14. Evaluation of (sub-) components

Evaluation of each of the selected components will address the following issues:

14.1. Ownership and relevance

The extent to which:

- (i) The component was formulated with participation of the national counterpart and/or target beneficiaries, in particular the industrial stakeholders.
- (ii) The counterpart(s) has (have) been appropriately involved and were participating in the identification of their critical problem areas and in the development of technical cooperation strategies, and are actively supporting the implementation of the component.
- (iii) A logically valid means-end relationship has been established between the component objective(s) and the higher-level programme-wide objective.
- (iv) Changes of plan documents during implementation have been approved and documented.
- (v) The outputs as formulated in the CSF document are still necessary and sufficient to achieve the component objectives.
- (vi) Coordination envisaged with other components within the CSF or with any other development cooperation programmes in the country has been realized and benefits achieved.

14.2 Efficiency of implementation

The extent to which:

- (i) UNIDO and Government/counterpart inputs have been provided as planned and were adequate to meet requirements.
- (ii) The quality of UNIDO services (expertise, training, equipment, methodologies, etc.) was as planned and led to the production of outputs.

14.3 Effectiveness of the component

Assessment of:

- (i) The relevance of the outputs produced and how outputs are used by the target beneficiaries.
- (ii) The outcomes, which have been or are likely to be realized through utilization of outputs.

14.4 Impact

- (i) Identify what developmental changes (economic, environmental, social) at the target beneficiary level (industry) have occurred or are likely to occur.

15. Programme-wide evaluation

The CSF programme-wide evaluation will address the following issues:

15.1 Relevance and ownership

The extent to which:

- (i) The CSF was jointly identified and formulated with the central coordinating authority, as well as with the involvement of programme counterparts and their target beneficiary groups.
- (ii) There is an agreement among the stakeholders that the objectives of the CSF are still valid and that the programme supports the country industrial strategy.
- (iii) The programme did and continues to meet the MDGs and other international targets and is related to UNIDO's corporate strategy.
- (iv) The programme is complementary with relevant bilateral and multilateral cooperation and coordination programmes (especially UNDAF and CCA).

15.2 Funds mobilization

The extent to which:

- (i) The central national management and counterparts were able and willing, to contribute (in kind and/or cash) to CSF implementation and in taking an active part in funds mobilization.
- (ii) UNIDO HQs and the Field representation paid adequate attention to and was effective in funds mobilization.
- (iii) The CSF team and its stakeholders were in a position to participate in the process of allocation of seed money.

15.3 Programme coordination management

The extent to which:

- (i) The central national management and overall field coordination mechanisms of the Programme have been efficient and effective.
- (ii) The UNIDO HQ based management, coordination, monitoring of its services have been efficient and effective.

15.4 Programme formulation

The extent to which:

- (i) A participatory programme identification process was instrumental in selecting problem areas and counterparts requiring technical cooperation support.
- (ii) The CSF has a clear thematically focused development objective, which will contribute to goals established by the country, the attainment of which can be determined by a set of verifiable indicators.
- (iii) The project/programme was formulated based on the logical framework approach

15.5 Synergy benefits derived from programme integration

The extent to which:

- (i) Coordination amongst and within components led to benefits (such as cost saving in implementing UNIDO services; increased effectiveness resulting from providing different services to the same target group; increased effectiveness resulting from interventions aiming at strengthening linkages within a system; improved effectiveness due to services provided simultaneously at the level of policies, support institutions and enterprises).
- (ii) The transaction costs of the CSF (management and coordination of many stakeholders, complexity in funds mobilization, etc.) were commensurate to the benefits of integration.

15.5 Results at the programme-wide level (contribution to industrial objectives of the country)

Assessment of:

- (i) The results achieved so far at the output, outcome and whenever possible impact level.
- (ii) If the CSF has, or is likely to contribute indirectly to the achievement of the Millennium Development Goals (indicate which ones).
- (iii) Result indicators were developed and facilitated the assessment of progress towards national and international development targets.

Template of in-depth evaluation reports of Country Service Frameworks

Executive summary

- Must be self-explanatory
- Not more than three pages focusing on the most important findings and recommendations
- Overview matrix showing strengths and weaknesses of the CSF
- *Introduction*
- Information on the evaluation: why, when, by whom, etc
- Information sources and availability of information
- Methodological remarks and validity of the findings

Programme summary

- Fact sheet (component/project structure, objectives, donors, counterparts, timing, cost, etc)
- Brief description including history and previous cooperation
- Situation of the country; major changes in framework conditions

III. Programme identification and formulation

- Individual components
- Programme
- Funds mobilization
- Individual components
- Programme

IV. Implementation of individual components/projects

- Relevance, ownership, reaching target groups, sustainability, management, outputs, outcome, impact (by component or project, as appropriate)
- Overview table showing performances by components

V. Implementation of the programme

- Internal and external coordination, synergy effects
- Identity, degree of integration, visibility, CP recognition
- Policy relevance, ownership, reaching target groups, sustainability
- Overview matrix showing strengths and weaknesses of the CSF

VI. Issues with regard to phase II (if applicable)

VII. Recommendations

VIII. Lessons learned

Annex II: List of persons met and related institutions/enterprises

VIENNA

GOE

Mr. Mohamed Hany Barakat, First Undersecretary, MTI
Mr. Mahmoud Elgarf, Managing Director, Marble & Granit Technology Center
Mr. Magdy G. Farag, Director Plastics Center

Embassy of Egypt

Mr. Saad el Sheikh, Commercial counsellor
Mr. Khaled El Mekwad, Counsellor

UNIDO HQ

Mr. Ferenc Schmel, Manager, subcomponent 1.1
Messrs. Lamine Dhaoui, Joseph Moongananiyil, Manager and assistant of Subcomponents 1.2 and 3
Ms. Azza Morssy, Manager subcomponent 1.4
Mr. Richard Kennedy, Former Team Leader and manager subcomponent 2.4
Mr. Viktor Zakharian, Manager subcomponent 2.1
Mr. Gerardo Pataconi, Manager subcomponent 2.2
Mr. Hans Pruim, Manager subcomponent 2.3
Mr. Yuri Akhvlediani, manager Subcomponent 2.5
Ms. Lucia Cartini, Desk officer for Egypt
Mr. Stefano Giovannelli, Former Head, ITPO Milan
Ms. Donatella Magliani, Director Evaluation Group
Mr. Peter Loewe, Senior Evaluation officer

EGYPT

MTI

Mr. Mohamed Hany Barakat, First Undersecretary

ENCPC

Ms. Hanan El-Hadary, Director
Mr. Ali Hosni Labib, Senior CP expert

ETRACE

Mr. Mohiey Bttanouny , Project Director, E-trace
Mr. Mahmoud S. El Bassyouny, National Technical coordinator

FLISC

Mr. Ahmed Medhat Sadek, Center manager

GAFI

Ms. Eva Seddik, General manager, Promotion Support Department

IMC

Mr. Adham Nadim, IMC Council member
Mr. Adel A. Noureldin, Regional development programs manager
Mr. Ihab I. Rezeika, Regional manager, BRC Alexandria

Mr. Hazem Hebish, Branch manager, BRC, Borg El-Arab
Mr. Martin Flaherty, Programme coordinator

European Union

Mr. Georgios Tsitsopolous, First counselor, Delegation in Egypt

Embassy of Austria

Mr. Rudolf Lukavsky, Commercial counselor

Embassy of Italy

Mr. Nino Merola, Cooperation attaché
Ms. Marina Scateni, UN Fellow

Embassy of Switzerland

Ms. Madiha A. Nasr, Commercial attaché

UNDP

Mr. James Rawley, Resident Coordinator
Ms. Ghada Waly
Mr. Mohamed Al Kalla
Mr. Noeman El Sayed

The American University at Cairo

Ms. Abba M. Adel-Latif, Profesora of Economics

UNIDO

Mr. Massimo Garzelli, UNIDO representative
Mr. Andrea Topo, Head, IPU

Enterprises

AL Ezz Steel; Rebars Co.
Mr. Zakaria Zaki, Quality and environment senior manager

ANBORG S.A.E.

Mr. Ahemd M.Badr, Plant Manager

EGYLIN

Mr. Mounir A. Ezzeldin, President
Mr. Ahmed M.Ezz El din, managing Director

Egyptian Swiss for Electric Industries

Mr. Islam Eladly, Chairman
Mr. Ramadan Eladly, Plant manager
Mr. Sherif Eladly

El Batsh

Mr. Ehab Rizk Emam, Manager

El Mottaheda Co.

Mr. Hazem Maher, General manager

El Roda Co.

Mr. Mohammed Sibhy Mohammed, Manager of Packhouse

Faragalla Group,

Mr. M. Farag Amer, President

HA Sultan farm

NIXT

Mr. Ahmed Hasan, owner

Pachin Charcoal

Mr. Mohamed Abdallah, General Manganer

Shereem Co.

Mr. Shereem, Member Board of Investors, Borg el Arab

Summer Moon

Hany El-Menshawy, Chairman

Others

Mr. Ahmed El Sayed, ex-consultant of UNIDO

Annex III: List of documents reviewed by the evaluation team

General

- UN. Arab Republic of Egypt. Development Assistance Framework- UNDAF 2002-2006.
- UN. Egypt. Common Country Assessment. 2005
- Financial report CSF 31.05.05
- The Economist Intelligence Unit (EIU) Egypt Country Profile 2005 + 2006
- EIU Egypt Country Finance 1005
- EIU Egypt Country Commerce 2005
- UNDP HRD report 2005
- CSF document (3 versions)
- UR country Reports 2005 and 2006
- UNIDO Agresso data base on Egypt

Subcomponent 1.1 FLISC

- FLISC. List of Customers of 2005-2006. June 2006

Subcomponent 1.2 Borg el Arab

- List of projects transferred to IMC (up to November 2005)
- BDS Service List provided through BRC Network
- IMC. Your partner for a competitive Egypt
- TOR for the Establishment of an Export Consortium in the Pharmaceutical sector April 2005
- Export Consortia final report Mrs. Sandra M. Alves April 2005
- SER Export Consortia November 2003
- Export consortia Work Plan R. Kennedy, July 2004
- Forms:
 - IMC. Company assessment form. (10 pages)
 - Prototype Standard Company Business Development Path (7 pages)
 - The RDI Programme Research, Development & Innovation Grant Scheme. Pre-qualification form. 17.12.05 (9 pages)

Subcomponent 1.4 Cleaner Production: Establishment of the ENCPC

- Project US/EGY/04/079. Project report. January 2006.
- Egypt National Cleaner Production Centre (ENCPC) Business Plan, 2006- 2008, May 2006.
- Training, seminar and matchmaking: Raising competitiveness of Egyptian Textile Industry via Eco-Efficiency-Linking supply and demand. Cairo February 2006.
- Programme for the establishment of the Egypt National Cleaner Production Centre (ENCPC). Project document 2004.
- ENCPC Work Plan 2006-8 June 2006
- ENCPC Business plan 2006-8 May 2006
- ENCPC, Financial Plan 2006-9 and budget justification.

Subcomponent 2.1 Investment and Technology Promotion

- Various periodic activity reports
- CD. Egypt. Open for Business. GAFI

Subcomponent 2.2 Quality Infrastructure. Traceability.

- CD. Traceability of Agro-Industrial Products for the European market. June 2006

Subcomponent 2.3 Industrial Information Networking

- Business Information Solutions Network. 28 Nov 2002
- Project Document Business Information Solutions Network
- SER 2000
- Report on Stakeholders Meeting on the Establishment of a Commercial business Information , July 2002

Subcomponent 2.4 Clusters

- BTO R. Kennedy Oct/Nov 2000
- BTO R. Kennedy, A de Groot Nov 2001
- Business Incubation Program, Luxor, Egypt, Feasibility Analysis and Business Plan, May 2002
- Cluster and Networking Development in Egypt-MITD funds PRODOC 2004
- PowerPoint presentation on clusters
- Cluster mapping. Elements of a cluster development strategy Dec 2003.
- SER on Clusters 23.06.06

Subcomponent 2.5 White paper

- White paper, UNIDO, July 2005
- Industrial Development Strategy, MTI, 2005
- SER on the White paper 23.06.06

Annex IV: Structure of the CSF as per document of October 2004

Development objective

To build capacities of Egyptian public and private sector to provide the support required by Egyptian industrial enterprises to become more competitive, especially in the food, textile and leather sectors.

Components 1

Sectoral support to upgrade enterprises competitiveness

Immediate objective

Support to selected sub-sectors and geographical areas to allow the related enterprises to increase their competitiveness.

Subcomponent 1.1 Small-scale Leather-based Industry

Immediate objectives Develop the potential of the Egyptian leather, footwear and leather goods manufacturing sector by *improving product design and quality*, and by *enhancing the practical skills* of direct labor; provide up-to-date technical information and implement pilot plants showing and proving the right direction in setting *development policy*, demonstrating state-of-the-art ways of *sustainable development* for *micro and small-scale enterprises* operating in the Egyptian leather-related trade

Critical problem addressed Small-scale tanneries, footwear and leather products manufacturing units lack knowledge of design, modern technology, quality assurance and marketing, their products are not competitive even on the local market.

Outputs

- 1.1.1 An operational *services centre* (established in a city selected by the SFD) capable of providing assistance to local small and medium-size manufacturing units in shoe design, pattern engineering and grading.
- 1.1.2 A set of marketing and information tools (e.g. fashion newsletter) developed/introduced, including 12 opportunity and/or feasibility studies.
- 1.1.3 Two reports with recommendations based on the world-wide experience of introducing legislation and economic incentives for implementing environmental protection resolutions in tanneries.
- 1.1.4 Six designs for typical small-scale tanneries prepared and introduced to entrepreneurs including machine layouts, infrastructure specifications, list of equipment, estimates of investment requirements, recommendations on using cleaner technology and pollution control description of various technologies available for effluent treatment and solid waste utilization, a one-week training seminar introducing considerations influencing the selection of technology and designing new plants.
- 1.1.5 Designs and prototypes of prototypes of small equipment to be produced locally for small-scale leather products manufacturers.
- 1.1.6 Physical testing laboratory for leather and its derived products' quality assurance.
- 1.1.7 Well-trained and competent staff with confidence based on practical experience that are able to provide the following services to its customers (i.e. target beneficiaries of the project) in the field of footwear and leather goods manufacture.

Subcomponent 1.2 Pilot programme for upgrading and improvement of competitiveness of selected industries

Immediate Objective
Critical problem addressed

Upgrading and improvement of the competitiveness of selected industries in Egypt (Textile, food, building materials). Industrial enterprises would be exposed to global competition

Outputs

- 1.2.1 Strengthening capacities of the upgrading office in the Ministry of Industry and Technological Development
- 1.2.2 Capacities of support institutions strengthened in the areas of industrial management, quality assurance, upgrading techniques
- 1.2.3 Formulation of two sector strategic studies and competitiveness upgrading programmes for the priority sectors in Egypt
- 1.2.4 Diagnostic study and Business Plan for upgrading 40 selected enterprises (SMEs) on pilot basis
- 1.2.5 Upgrading and competitiveness improved for 40 SMEs from priority sectors
- 1.2.6 60 consultants from the region trained on upgrading techniques (elaboration of strategic diagnostic, upgrading programme, and follow-up)
- 1.2.7 30 high-ranking staff from regional industrial support institutions (Banks, Business Association) trained on upgrading techniques (elaboration of strategic diagnostic, formulation and evaluation of upgrading programme, training on COMFAR).
- 1.2.8 20 engineers from sectoral technical committees trained on standardization techniques
- 1.2.9 Modernization Unit established and providing upgrading services in Borg El Arab
- 1.2.10 Strategic diagnostic and upgrading programmes for a minimum of 100 enterprises
- 1.2.11 A minimum of 100 enterprises upgraded
- 1.2.12 Up to 30 enterprises assisted for certification ISO 9000
- 1.2.13 Up to 20 enterprises assisted for introduction of HACCP
- 1.2.14 Priority sectors identified for promoting export consortia in the area of Borg El Arab
- 1.2.15 Up to three export consortia promoted
- 1.2.16 Egyptian promoter of export consortia trained
- 1.2.17 Proposal to introduce financial and regulatory measures/incentives to the promotion of export consortia formulated and projects experience/lessons learned and disseminated

Subcomponent 1.3 Agro-industry promotion

Immediate objectives

1.3.1 Comprehensive study to assess the AMIS and formulate a programme to enhance development of the agricultural sector through the provision of agricultural machinery, implements and tools as well as related services.

1.3.2 Comprehensive study to assess the scope and character of agricultural waste with the perspective to develop new applications, and formulate a programme to demonstrate this potential through commercially viable demonstration projects.

Critical problem addressed

1.3.1 Lack of knowledge on the agricultural machinery, tools and implements sector; lack of agricultural machinery industry; lack of institutional capacity to develop/field test prototypes to the stage of mass production; lack of skilled machinery and implement manufacturers,

service managers, agricultural engineers.

1.3.2 Lack of knowledge on the economical value of new applications of agricultural waste and lack of research and development capacity to develop these applications, or adapt them from reference cases in other situations.

Outputs

- 1.3.1 Base line of existing production capacities and human resources (in terms of small, medium and large scale agricultural machinery manufacturers/assembling plants, metallurgical plant and metal mechanic workshops, mechanical workshops and service centers, engineers, operators) assessed. Gaps identified.
- 1.3.2 Programme for the development of an agricultural machinery industrial system set-up
- 1.3.3 Skill upgrading programme for engineers, managers and operators of machining and service workshops designed and implemented. Maintenance programme in cooperation technology institutions/technical schools developed.
- 1.3.4 Base line study of existing agricultural waste situation in terms of – among others – character, sources, quantities, etc. combined with an assessment on the potential to adapt or develop new applications for different groups of waste, both technically as well as commercially, with equal attention for identification of constraints and suggestion of methods to deal with these. Demonstration projects identified.

Subcomponent 1.4 Cleaner Production

- Immediate objective 1.4.1 Start the operations of the Centre
- 1.4.2 NCPC established and offering the five core services in line with the Business Plan.
- Critical problem addressed 1.4.1 Extremely significant pollution problems, much of which are caused by industrial production. In Cairo, textile, metal processing, chemical and agro-industries discharge effluents and wastes directly into the environment.
- 1.4.2 Lack of capacity for rising awareness to promote and adopt cleaner technology.

Outputs

- 1.4.1 Information for full project design and implementation
- 1.4.2 The Business Plan is established
- 1.4.3 The NCPC offices established and the staff trained
- 1.4.4 The Executive Board established and operational
- 1.4.5 The Advisory Committee established and operational
- 1.4.6 The three sub-regional CP centers established and the staff trained.
- 1.4.7 In-plant Assessments.: A minimum of 5 in-plant assessment programmes in

each of the five pre-selected sub-sectors, involving a minimum of 60 enterprises of five regions, will have been carried out.

- 1.4.8 A minimum of 5 CP technology investment projects per sector submitted to national, regional or international investment institutions
- 1.4.9 Information Dissemination: The NCPC is in a position to obtain CP-related information and CP technical experts from data bases and the NCPC network, for itself and for clients.
- 1.4.10 Introduce CP concepts into the training and study programmes of the selected national universities.
- 1.4.11 Annual report on cleaner production activities in the country drawn up and distributed to the main stakeholders involved in cleaner production.
- 1.4.12 Extensive press coverage obtained for the activities conducted by the Centre.
- 1.4.13 Policy Advice: Within the overall goal of influencing the main national stakeholders involved in cleaner production to support the application of cleaner production, two strategy papers will be prepared and presented to the relevant stakeholders. One paper, presented to national authorities, will focus on the barriers to the adoption of CP measures existing in existing legislation and regulations and how these barriers can be removed and incentives inserted into the relevant legislation/regulation. The second paper, presented to the national and regional financial and governmental institutions, will outline what measures could be taken to promote cleaner production investments.

Component 2

Cross-sectoral support to the Egyptian Industrial Competitiveness programme

Immediate objective

Cross-sectoral assistance, in terms of investment promotion, upgraded quality infrastructure and services, improved information and advisory services and related public and private instructions in a range of industries and geographical areas.

2.1 Investment and Technology Promotion

Immediate objectives	The realization of a number of business-oriented industrial cooperation agreements between Egyptian sponsors and Italian industrial counterparts, particularly from small- and medium-scale enterprises. These may cover the investment of financial, physical, technical and human resources in developing countries on equitable and mutually acceptable terms.
Critical problem addressed	Local SMEs lack resources to handle and negotiate cooperation agreements with foreign partners, in fact, they require a whole set of specialized services which are essential to overcome the difficulties and risks connected with the implementation of a cooperation agreement.

Outputs

- 2.1.1 Industrial investment opportunities in Egypt identified and brought to the attention of potential investors in Italy.
- 2.1.2 Potential partners from Italy and Egypt assisted in negotiations of

- investment projects (at any stage between initial contacts and a conclusion of a contract)
- 2.1.3 Upgraded skills and managerial capabilities of entrepreneurs, managers, administrators and government staff involved in implementing investment projects in Egypt

Subcomponent 2.2 Modernization of the Egyptian Quality Infrastructure

Immediate objective To make the Egyptian System of accreditation fully operational and recognized internationally to better serve industrial and service enterprises and governmental institutions and to better protect the environment and the consumers (health, safety and frauds)

- Critical problem addressed
1. Accreditation is under the responsibility of different Ministries and institutions and efficient mechanisms for coordination and harmonization to avoid overlapping are not in place;
 2. Limited level of confidence and trust between quality-related institutions and Egyptian and foreign enterprises and consumers;
 3. Tests, certificates, systems, personnel and products face difficulties in being recognized in the region and world-wide.

Outputs

- 2.2.1 Egyptian enterprises and accreditation, standardization, quality, testing and metrology institutions aware of EU Regulation No. 178/2002 of 28/01/02 on food safety and USA regulations against bio-terrorism affecting their export and capable of adapting to the new regulations by implementing a traceability and accredited certification scheme.
- 2.2.2 Capability at production and distribution level built, all relevant information on the product gathered and made available.
- 2.2.3 National expertise built on the issue of traceability under internationally recognized regulations
- 2.2.4 Tertiary sector supported to be able to assist producers and traders
- 2.2.5 Financial support provided to the adoption of traceability scheme and its certification
- 2.2.6 Relationship between Italian/European and Egyptian authorities strengthened regarding food quality in light of a coming market's unification
- 2.2.7 This project is connected to other ongoing initiatives in the field of quality improvement and certification

Subcomponent 2.3 Industrial information networking

Immediate objectives Improve information networking

1. To strengthen the capacity of the MITD to support information networking for industrial governance
2. To establish a sustainable networking capacity to support SME needs for information and value-added services
3. To strengthen the capacity of the FEI and affiliated entities towards internationalizing their members for the attraction of investment and transfer of appropriate technologies including the provision of relevant information on industrial cooperation.

- Critical problem addressed
1. Lack of inter-action among government departments with inefficient information sharing, resulting in ineffective information support for MITD;
 2. Lack of information networking support capacity makes appropriate information to support SME operations (technology, financing, markets, etc.) inefficient and/or ineffective.
 3. Lack of capacities and appropriate ICT instruments of the FEI and

affiliated institutions to build their knowledge base, to attract investment and foster technology transfer.

Outputs

- 2.3.1 A governance information system within MITD
- 2.3.2 A business plan for commercial SME info support
- 2.3.3 Establishment of a One-stop-shop for SME information support
- 2.3.4 Implementation of a sustainable intelligent networking business and knowledge exchange solution (Egypt Exchange or Industry Net) for the FEI and affiliated entities, concentrating on the internationalization of their members for the attraction of investment and transfer of appropriate technologies including the provision of relevant information on industrial cooperation.
- 2.3.5 Implementation of the Egypt Exchange
- 2.3.6 Assist MFTI to operate the system and provide assistance to post/retrieve information and to maintain/update portal

Subcomponent 2.4 Cluster and Networking Development

- Immediate objective To increase the competitiveness of Egyptian Industrial Clusters
- Critical problem addressed Inadequate networking and collective action among Cluster firms

Outputs

- 2.4.1 A National Cluster Development Strategy prepared
- 2.4.2 Develop Action Plans for strengthening of 3 industrial clusters in traditional industries

Subcomponent 2.5 Industrial Governance: Preparation of the White Paper for a Competitive Egypt

- Immediate objectives To assist the Industrial Modernization Centre in preparation of the White Paper for Industrial Policy in Egypt focusing on enhancing competitive performance and innovation of Egyptian industries and integration in regional and global markets.
- Critical problem addressed
 1. Lack of coherent, harmonized industrial policy
 2. Too much protection of Egyptian economy from international competition
 3. Low level of investment and upgrading

Outputs

- 2.5.1 Overall coordination, drafting and finalizing the White Paper on competitive innovation and integration policies
- 2.5.2 White Paper Chapter: Council on Competitiveness (COC)
- 2.5.3 White Paper Chapter: "Strategies for competitiveness" (COS)
- 2.5.4 White Paper Chapter: "Competitiveness policies and programmes"(CPP)

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Telephone: (+43-1) 26026-0, Fax: (+43-1) 26926-69
E-mail: unido@unido.org, Internet: <http://www.unido.org>