



MED MSMEs

Policies for inclusive growth

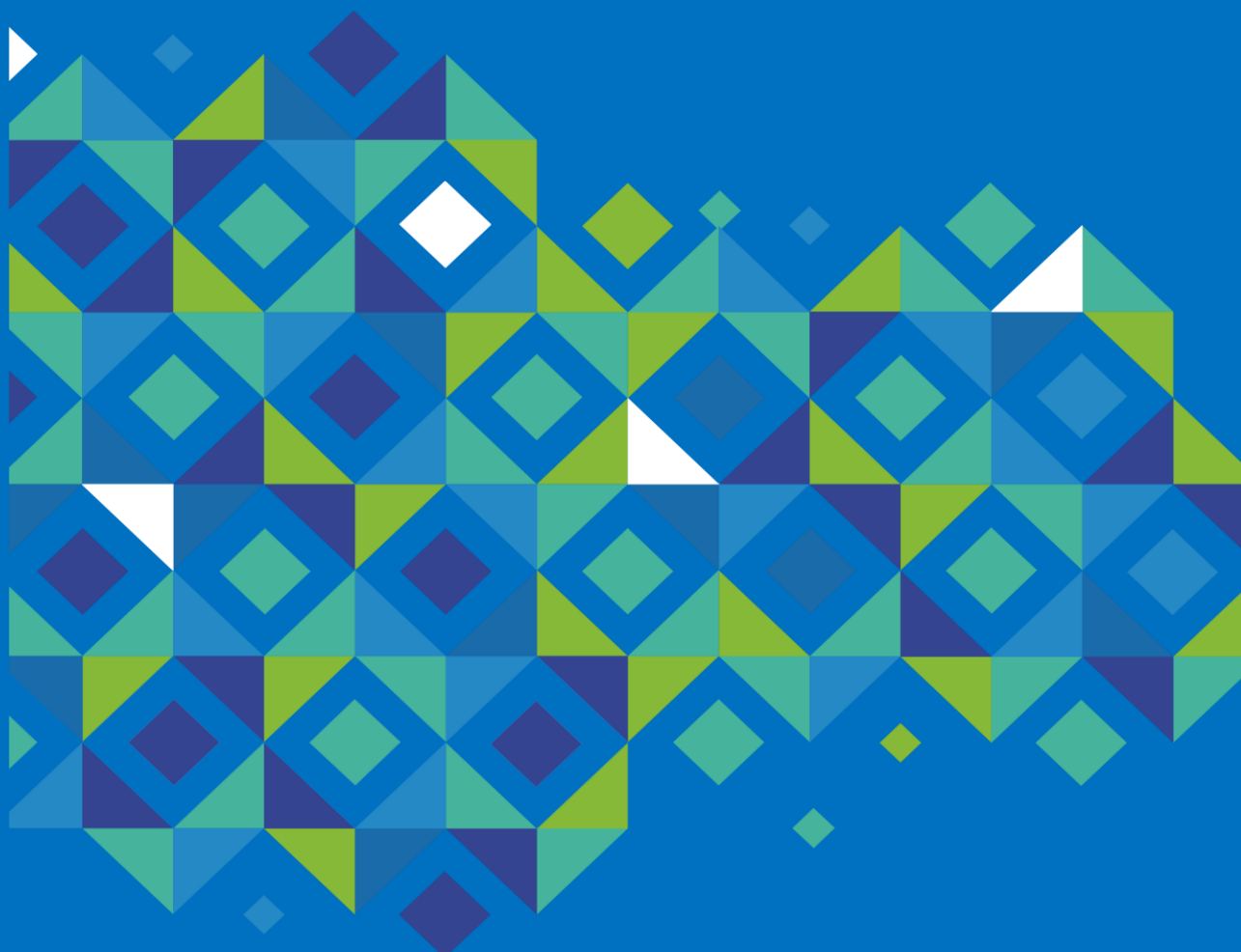
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*Support to an Enabling Business Environment
for MSMEs Development & Financial Inclusion*

Egypt – MSME Export Development Country Profile

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Introduction

The MED MSMEs Programme aims to support the EU Southern Neighbourhood countries in the implementation of the Small Business Act for Europe (SBAfE), which is the reference framework for the formulation of SME development policies, frameworks, adapted laws and regulations. The Programme supports the beneficiary countries in the implementation of some dimensions of the SBAfE, namely: in areas of access to finance (principle 6 of the SBA) and internationalisation of small businesses (principle 10 of the SBA).

In this context, in 2020, the MED MSMEs Programme carried out a comparative analysis of the policies and instruments supporting SME exports in the region (Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia) with a view to identifying and promoting to policymakers the areas for improvement likely to enable SMEs to develop internationally. The aim was to enhance the level of information on international market developments, discuss the adaptation of support policies and instruments, and facilitate dialogue and coordination processes.

The study for Egypt focused on: i) an analysis of the structure and trend of exports, including of SMEs; ii) a review of recent studies in the field of exports and global value chains; and iii) a review of relevant policies, support programmes and actors in the Egyptian context. These elements have been integrated in the following country brief, which proposes priority initiatives and activities to strengthen the internationalisation potential of SMEs in the post-COVID-19 economic recovery period.

The country profile and proposed priority actions for Egypt covers measures and actions to stimulate export development, comprised of direct exports and indirect exports through participation in global value chains (GVCs), with a particular reference to SMEs. A primary focus is on the impact of the COVID-19 pandemic on Egypt's export and supply chain activity, immediate efforts taken by the government to ameliorate this impact, and the prognosis for short-, medium- and longer-term measures to facilitate economic recovery in the area of SME internationalisation, which have been endorsed by the SME Internationalisation Working Group consisting of Egyptian stakeholders¹.

Section 1: The state of Egypt's export development

1.1. The impact of COVID-19 on Egypt's international trade activity

Due to a large and diverse economy, a reputable manufacturing track record, and its central location between Africa, Europe and Asia, Egypt is well positioned to serve export markets across a diverse range of products/sectors and services. Pre-COVID-19, the combined value of goods and services exports and imports amounted to 43.3% of Egypt's GDP (17.5% for exports; 25.8% for imports).¹ In 2019, the value of Egypt's exports and imports as a share of GDP had increased since 2016 (when it dropped to 30.2% of GDP), but with the export share of GDP continuing to remain at less than 20% of GDP.

For 2020, the Ministry of Trade and Industry (MTI) reports that the total value of Egyptian exports declined by only 1%, reaching USD 25.3 billion, compared to the USD 25.6 billion a year earlier, reflecting global conditions caused by the COVID-19 pandemic; by the same reporting, imports fell by 12% to USD 63.6 billion compared to USD 71.8 billion in 2019.² This resulted in a smaller trade deficit compared to 2019 (declined by 17%). In comparison, the European Union (EU) experienced a decline of 9.38% in extra-EU27 goods exports in 2020 (relative to 2019) and a drop of 11.64% in extra-EU imports.³ So, in relative terms, Egypt has performed reasonably well, the result of government steps announced in March 2020 to respond to COVID-19 challenges (see section 2.2).

Tourism and textiles sectors suffered the most from the COVID-19 pandemic: during the first 4 months of 2020, tourism came to a standstill and textile and apparel exports fell by 44% (compared to the previous year period).⁴ This was not dissimilar to the significant drop in trade activity experienced by countries

¹ The MED MSMEs Programme is carried out in Egypt in collaboration with institutional and private sector representatives in areas of access to finance and internationalisation policies through three Working Groups headed by the Industrial Modernization Centre (IMC), the Micro, Small and Medium Enterprises Development Agency (MSMEDA), and the Central Bank of Egypt (CBE).

globally in March and April of 2020. On the other hand, the building materials sector and the medical and food industries were key drivers of export growth in Egypt,⁵ which the Minister of Trade and Industry attributes to the success of government efforts in dealing with repercussions of the COVID-19 crisis.⁶ The ready-made garments and leather sectors saw the largest decreases in imports (down by 24% and 20% respectively from the previous 11-month period),⁷ performance that was at least partly attributable to the COVID-19-related disruption in supply chains and a shift to greater localisation in manufacturing, a trend also leading to deepening of local manufacturing and network manufacturing chains, an objective of the MTI. By targeting the replacement of imported inputs with competitive locally-produced materials and products, in the medium-term, Egypt can produce a higher percentage of domestic value-added in its exports.

Egypt's top trading partners

Egypt's international trade activity is somewhat diversified, including with a large number of countries. The top five countries for Egypt's export products in 2020 and accounting for 35.6% of its total export value, in order of volume, were: the UAE, Saudi Arabia, Turkey, the USA⁸, and Italy.⁹ The top five sources of Egypt's imports (accounting for 41.1% of imports) were: China (a significantly larger supply source), the USA, Germany, Italy and Russia.¹⁰

The European Union (EU) is Egypt's major trading partner, according to data from the Central Bank of Egypt (CBE) accounting for an estimated 30.9% of Egypt's total export value in fiscal year (FY) 2019/2020, although the level has stagnated over the past ten years, as trade with China, Turkey and other Arab countries has gained in importance¹¹. In FY 2019/2020, the CBE reports that Arab countries were the destination of 25.6% of Egypt's export value. The weight of Egypt's exports to the USA (an estimated 9.1% in FY 2019/2020¹²) has declined in recent years in favour of Arab countries, while European and Arab countries have been the destination for about 70% of its exports.¹³

In 2019, only 16% of Egypt's exports (in value) went to countries in Africa and only 3% of its imports were sourced from Africa.¹⁴ However, the CBE data for FY 2019/2020 report that only 2.1% of the total exports value came from the non-Arab African countries (e.g. Morocco, Tunisia, Libya, etc.). The African market is expected to become more critical to Egypt's foreign trade with the operationalisation of the African Continental Free Trade Area (AfCFTA) Agreement in January 2021, which is posed as a major opportunity for Egypt to diversify its exports, establish new supply chains and further integrate into global value chains (GVCs) as part of the regional intra-African market.

Egypt's top 10 export products

Export data from the Central Bank of Egypt (CBE) (FY 2019/2020) indicates that oil and oil products contribute to a third of exports (32.6%); base and precious metals (iron, aluminum, gold) for 12.4%; agricultural products (fruits, vegetables, dairy) for 7.6%; textiles and clothing for 7.4%; organic and inorganic compounds, including soaps and organic detergents for 4.1%; phosphates and fertilizers for 3.7%; electrical machinery and equipment for 3.2%; and pharmaceuticals (e.g. medicines, vaccines, serums) for 1.9%.¹⁵ These products account for about 73% of the export value.

Increasingly, Egypt is seeking to engage in exports with a higher level of technological sophistication, and there is potential for export diversification through the emergence and continued growth of some high value-added sectors, such as pharmaceuticals, furniture, agribusiness, ICT services, chemicals, engineering (e.g. white goods/appliances), and call centres, which Egypt has been exploiting. On the other hand, there are significant opportunities for Egypt to increase its agricultural exports. Egypt is now the largest world exporter of oranges and should take advantage of its competitiveness in this agricultural sector (e.g. potatoes, strawberries, grapes, onions, tomatoes, and other vegetables) to better integrate into GVCs, promote organic agricultural practices and generally improve food safety rules in order to meet strict global sanitary standards. In this regard, the Food Safety Agency, the MTI and the IMC are taking important steps.

Engagement of Egyptian SMEs in international trade activity

Official statistical data on the participation of Egyptian SMEs in export activity is not readily available, although in 2016, the *Industry and Trade Development Strategy 2016-2020* reported that Egyptian

MSMEs play a limited role in Egypt's exports, with data indicating that only 17% of them manage to export.¹⁶ Informed Egyptian stakeholders in 2021 indicated that SMEs represent about 45% of exporting firms, although only about 5% of total export value. The Government is implementing a number of programmes to encourage and support MSMEs to export (see section 2).

Business environment reforms underway to ease trade facilitation and export activity and more fully exploit the potential of Egypt's many free trade agreements

Egypt is making progress in implementing reforms to ease export-import transactions to facilitate trade. Egypt's ranking of 171 among 190 countries on the "trading across borders" indicator in the World Bank Doing Business 2020 reflects relatively high costs and lengthy procedures for compliance with customs and other documentation (e.g. transport, clearance, inspections and port or border handling)¹⁷, evidence that further reforms are needed to improve Egypt's ranking. The smaller the enterprise, the higher the transaction costs involved in trying to deal with red tape, any complex procedures, and other impediments, such as non-tariff barriers, which may stand in the way of meeting their potential in terms of investment, production, exports, and employment.¹⁸ Simplification and digitalisation of trade regimes and procedures and accelerated adoption of e-commerce will aid in reducing some of the export-related challenges faced by smaller enterprises. In this regard, the General Authority for Investment and Free Zones (GAFI), the Egyptian Customs Authority (ECA) and the General Organisation for Export and Import Control (GOEIC), collaboration with the MSMEDA, are now providing online services to SMEs.

Egypt has also ratified the WTO Trade Facilitation Agreement (TFA) Facility in December 2019, one of the recent African countries to do so.¹⁹ In conformity with the TFA, Egypt has formed the National Trade Facilitation Committee (NTFC) and identified priorities for reform, however, it will take some time to implement these reforms. The Prime Minister Decree 20/2019 on the National Single Window and the Ministry of Finance Decree 38/2021 ("Nafeza") for facilitating exports and imports through the Advanced Cargo Information System (ACIS) are key foundational actions. The 2020 Customs Law (207/2020), developed on par with international best practices, incorporated many TFA reforms, including provisions for the single window system, electronic payments, and expedited clearances for authorised companies (e.g. economic operators). The NTFC is being assisted with legal and trade-related technical and support from the USAID "Commercial Law Development Programme (CLDP)" within the context of the US-Egypt Trade and Investment Framework Agreement.²⁰

However, in the meantime, all steps taken by the Egyptian government to cut bureaucracy during the COVID-19 crisis need to become permanent, such as facilitating and expediting customs clearance.²¹

Egypt is a signatory to a large number of trade agreements, including with the EU-Egypt Free Trade Agreement (FTA)²²; Turkey; Agadir FTA (with Jordan, Morocco, Tunisia); Common Market for Eastern and Southern Africa (COMESA)²³; Pan Arab Free Trade Area (PAFTA); Greater Arab Free Trade Agreement (GAFTA) with 17 Arab countries; Egypt-Southern Common Market (MERCOSUR) FTA (with Argentina, Brazil, Paraguay and Uruguay)²⁴; and the FTA with European Free Trade Association (EFTA) States (Iceland, Liechtenstein, Norway and Switzerland), and a number of bilateral country agreements with Arab countries, China, Russia, plus a new UK-Egypt Brexit Agreement²⁵. Egypt is also a member of the World Trade Organization (WTO) and signatory on the General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS).

However, some of the preferential trade agreements are overlapping with limited impact on trade.²⁶ Egyptian exports, for example, can encounter a number of difficulties in accessing the EU market, such as a particularly high index of non-tariff measures (e.g. sanitary and phytosanitary measures), technical barriers (e.g. certification, testing and labeling requirements), and export-related barriers (e.g. rules of origin), which are often too strict for compliance of Egyptian exporters.²⁷ As of 2021, Egypt is participating in a regional impact assessment of the trade flow between the Agadir Agreement member states and the EU, which will seek to highlight available opportunities to achieve regional industrial integration, and the impact of the agreement on the flow of intra, and foreign direct investments.

The AfCTFA, effective as of 1 January 2021, and to which Egypt has been a leading proponent, will offer advantages in promoting Egyptian exports to under-developed markets on the African Continent. One of the big advantages, among others, is the reduction in tariffs among member countries. Businesses

currently face higher tariffs when they export within Africa (average tariffs of 6.1%) than when they export outside it. AfCFTA will progressively eliminate tariffs on intra-African trade, making it easier for African businesses to trade within the continent and benefit from the growing African market. Other advantages of the AfCFTA relate to a number of policy areas, such as trade facilitation and services (reducing red tape, simplifying customs procedures, making it easier for African businesses to integrate into GVCs), and regulatory measures, such as standards and technical barriers to trade.²⁸

1.2. Trends in SME participation in global value chains (GVCs)

In line with the objective of Egypt Vision 2030 to maximise value added, increase local content in the manufacturing sector and decrease the trade deficit, the participation of Egyptian firms in GVCs is promoted as a key way to achieve higher export diversification. The disruption in global supply chains resulting from the COVID-19 crisis has led many countries to diversify their supply chains and turn towards greater regionalisation of production and supply sources. For example, as European countries shift production capacity in response (e.g. away from Asia), North African countries with developed industrial capacity, such as Egypt, stand to benefit from this phenomenon.

At the moment, Egypt's integration in GVCs is mainly through forward linkages.²⁹ Although about half of Egypt's exports in 2018 had value chain linkages; while 40% was domestic value-added that was sold to third countries by way of value chain linkages for further processing in exports (forward linkages in GVCs), only 10% of the export value was sourced as foreign inputs in exports (backward linkages).³⁰ Egypt's weaker backward linkages highlight a low import intensity in the export production of Egyptian firms, while its relatively strong forward linkages reflect its strength in exports of raw materials (e.g. crude oil and gas, precious stones and metals) and intermediate goods (e.g. chemical products, plastics, coaxial cables), which are needed for the export production of firms in other countries.³¹ As per analysis of the EBRD, strengthening the GVC integration of Egyptian firms and taking advantage of Egypt's preferential market access through trade agreements will require better access to foreign inputs, more efficient export capabilities, alignment with international standards, and quality controls.³² The AfCFTA is particularly important given the magnitude of the supply and demand shocks of COVID-19, which is expected to lead to a significant reorganisation of GVCs and a likely greater reliance on regional value chains, which implementation of the AfCFTA could perpetuate.³³

GVC integration is frequently associated with the inward foreign direct investment (FDI) activity of a country. The OECD confirms that the leveraging of FDI in Egypt to enhance supply chain linkages with SMEs can be an important opportunity for a more inclusive development.³⁴ Egypt's net FDI inflows have slowly increased from 2015 to 2019 to about USD 9 billion and just less than 3% of GDP³⁵, but due to the COVID-19 induced economic crisis, FDI inflows dropped sharply in 2020. According to the UNCTAD Investment Trend Monitor, global FDI in 2020 was down 42% from 2019³⁶, although Egypt fared better, down 38% year on year, and maintaining its leading position among African countries with a total FDI inflow of USD 5.5 billion³⁷.

The system of Special Economic Zones (SEZs) and free zones in Egypt are a main vehicle for attracting FDI and promoting exports, offering firms full exemption from import tariffs, custom duties and income taxes and ensuring free flows of trade without cumbersome export regulations.³⁸ The new Investment Law (2017) offers financial incentives for investors and firms in designated economic zones and cuts red tape. The newly established Suez Canal Economic Zone plays a key role in attracting FDI in selected sectors (e.g. maritime services, pharmaceuticals, food processing, automotive, electronics, textiles, petrochemicals, ICT and renewable energy), and is intended to become a major industrial and logistics hub between the EU, Africa and China.³⁹ The presence of these free zones provides an opportunity for the Ministry of Trade and Industry (MTI) to foster supply chain linkages between the foreign-invested firms and local SMEs, such as through supplier development programmes, which have proven to be a success.

Section 2: Policies and strategies supporting the export and internationalisation activity of SMEs

2.1. Policy framework and existing support programmes

A number of public and private institutions and trade-supporting actors are involved in the field of SME export promotion and development, with the Ministry of Trade and Industry, the Micro, Small and Medium Enterprise Development Agency (MSMEDA), the Export Development Authority (EDA), the Industrial Modernization Centre (IMC), and the sector Export Councils⁴⁰ playing leading roles (see Annex 1 for a list of relevant ecosystem bodies and key MSME export-related measures, which also includes selected international and donor organisations and their trade-related projects). The close association of the MSMEDA with the MTI is one of the operational advantages in linking export support and MSME development. In addition, the EDA, which offers a full range of export development services and supports and a special focus on SMEs, is acting as a “hub” for improving the rate of Egypt’s exports. In March 2021, the Minister of Trade and Industry announced that Egypt aims to increase its exports to reach USD 100 billion within the next three years by developing and adopting a strategic plan to open new markets, especially in Europe, Africa and the Arab world.⁴¹ During the SME Exports Working Group meeting on 29 March 2021, the MTI representative indicated this would require coordinated and collaborative actions of public and private sector export support bodies.

National strategies prioritising export development, value chain integration, e-commerce capability and green growth

Export development

The **National Industry and Trade Development Strategy 2016-2020** aims to enhance industrial development and exports by supporting Egypt’s export capacities and reducing dependence on imports.⁴² This MTI strategy targets four sectors - chemicals, engineering, textiles, and building materials – and includes a thematic pillar on developing industrial MSMEs. It covers issues such as the promotion of exports and rationalisation of imports, innovation promotion, energy conservation, an improved business climate, trade facilitation and agreements, logistics and infrastructure, quality control and inspection procedures, competitiveness, and export regulations and procedures. The main export-related target of the strategy was to achieve an annual growth rate in non-petroleum exports of 10% to reach USD 30 billion by 2020 (up from USD 22.0 billion in 2015), a target that was nearly attained when exports hit USD 28.5 billion in 2018/2019 just before the outbreak of the COVID-19 pandemic in early 2020.

The **Egypt Export Development Strategy 2018-2020**, developed by the EDA and aligned with the MTI Industry and Trade Development Strategy, outlines the required institutional reforms (e.g. streamlined export procedures, quality assurance for exported products), potential sectors, target markets, export incentives, export development services (e.g. technical assistance programmes for exporters), trade facilitation, and economic integration policy. This strategy also includes a detailed plan for development of the export market within Africa with a focus on potential products, market entry support services, logistics centres, export finance services, and trade agreements.

Exports and value chain integration specific to SMEs

The aim of the **MSMEs and Entrepreneurship National Strategy and Operational Plan** (five-year plan) is to unleash the potential of 2.5 million MSMEs to contribute to the Egypt Vision 2030 and national economic growth by improving the business environment, creating a range of financial and non-financial incentives, and encouraging informal enterprises to join the formal economy.

The strategy includes “Exports and integration into value chains” as one of the five policy themes with the objective of encouraging and supporting MSMEs to benefit from the growth of international markets and expanding the capacity of MSMEs to integrate in local and global value chains, including through the development of clusters, with a sectorial approach.⁴³ The main interventions were designed to address the key obstacles to the underperformance of MSMEs in exporting activity: lack of awareness, inaccessibility of export channels, inadequate access to market information, lack of capacity, and constraints in linking to progressive value chains. The strategy aims to facilitate the development of

export-readiness of MSMEs in targeted sectors (e.g. information packages, improved access to business development services to assist in export-readiness capabilities) and facilitating access to value chains (e.g. mapping possible linkages, matchmaking, incentive packages for larger/FDI firms to engage with the MSME sector; strengthening existing/promoting new clusters; expanding industrial zones); and developing a comprehensive quality management system infrastructure that is accessible to MSMEs. Information on the impact of programme and service interventions on MSMEs is being processed.

E-commerce and digitalisation

The **National E-Commerce Strategy (2018 launch) and the Digital Egypt Strategy (2019⁴⁴)**, being implemented by the Ministry of Communications and Information Technology (MCIT) within the framework of the ICT 2030 strategy and Egypt's Vision 2030, aim to facilitate Egypt's transition to a digital economy and thereby create new investment, export and GVC connection opportunities for Egyptian firms, including MSMEs. The Digital Egypt Strategy, which aims to nurture innovation and entrepreneurship, particularly for e-commerce and emerging technologies, such as artificial intelligence (AI), cybersecurity, and blockchain, and boost the ICT industry, includes initiatives to stimulate the growth of ICT SMEs, ensure SMEs receive a specified share in the building of digital Egypt projects (through procurement processes) and provide specialised training to build the digital capacities of SMEs' employees, professionals and freelancers. Developing the e-commerce and digital marketing capability will make foreign markets more accessible for domestic exports and is a priority of the Egyptian government. The Digital Egypt Strategy is also in alignment with the African Union (AU) Digital Transformation Strategy for Africa 2020-2030, which emphasises the role of commercial e-platforms as an efficient mechanism to help firms, especially SMEs, expand access to markets and exchange goods and services.⁴⁵ One of the government's efforts has been to encourage SMEs to put their products for sale on Souq.com (Amazon's Egyptian arm).

The COVID-19 crisis led to a boom in use of e-commerce and increased demands on related activities, such as shipping and delivery companies, and electronic payment systems. Consequently, Egypt's e-commerce and digital strategies may need an update with regards to accelerated action to create the ecosystem platforms for SMEs to participate in e-commerce as a vehicle to expand their access to international markets and to increase their export capability and capacity, e.g. competence development, e-commerce platforms, logistics system, digital systems to support GVC integration, etc. The growth of e-commerce has contributed to opportunities for Egyptian SMEs to access international markets through e-commerce platforms, which will be facilitated through the partnerships being developed between the General Authority of Free Zones and Investment (GAFI) and Amazon, to create an e-commerce entry point.⁴⁶ However, to exploit the potential of the relationship with Amazon, Egypt will have to address the necessary logistics infrastructure (digitalised warehouses and distribution centres, transport/delivery systems, e-payments systems, etc.). The MTI is also discussing with Amazon's plans to manufacture more of its products within the Egyptian market, due to its position as a strategic industrial hub in the Middle East.⁴⁷

Focus on "green" growth

Green growth is one of the Government's priorities as evidenced by the launch of the **National Strategy on Green Economy** in 2016. For example, the EDA Green Trade Initiative, initially supported by UNIDO, seeks to enhance the efficiency of SMEs in the horticulture value chains⁴⁸ to promote their products in the EU markets. This includes efforts to help them meet the EU market standards on food safety and control, improve efficiency of collection, transportation and export logistic system, integrate SMEs into the export value chains, strengthen the capacity of SMEs and exporters to market and export on the trade information platform. In 2019, the EBRD provided a Green Value Chain credit line to Egypt (EUR 70 million), under the Egypt-EBRD Green Value Chain Programme, to support SMEs with financing and advice to strengthen their product quality and value-added, improve their standards, and create an enabling environment for exports, with a special emphasis on green technologies across a wide range of industries, e.g. agribusiness, manufacturing and services, logistics and distribution, and ICTs.⁴⁹

The importance of accelerating implementation of the green economy strategy has escalated owing to changes resulting from the COVID-19 pandemic. During 2020, ministries have been collaborating in a push for cooperation around a green and circular economy that will increase the Egypt's investment

opportunities, raise the competitiveness of local products, create jobs, reduce environmental deterioration, and “build back greener” through public-private partnerships. Efforts to assist the Government are supported by the UNIDO Programme for Country Partnership (PCP) Egypt (green industry and inclusive green growth components) and the EBRD green economy transition project.

Going forward in the COVID-19 economic recovery phase, expansion of exports to EU countries, including integration into European supply chains, will require Egyptian manufacturers to comply with the EU Green Deal standards.

Additional important implications for Egypt are the result of emerging trends in the EU for nearshoring and the growing importance of e-commerce and online distribution and marketing channels (digitalisation).⁵⁰ Inter-related with the sustainability trend, Egyptian firms must also make the shift to digitalisation of their operations in order to engage in electronic B2B, B2C and GVC transactions, the urgency for which has become more apparent during the COVID-19 pandemic.

Several existing programmes to support SME exporters/exports

There are several instruments and programmes provided by the State and/or international donors to support SME exporters and SMEs seeking to integrate as suppliers in value chains. A number of these are briefly noted in Annex 1, for example:

- Many programmes of the Ministry of Trade and Industry (MTI) to support SMEs and exporters either directly or through one of its affiliated agencies.
- The MTI priority on increasing exports to African markets by strengthening cross-border trade in the African continent and achieving continental economic integration through implementation of the AfCFTA.
- The **Industrial Modernization Centre (IMC) National Industrial Localisation Programme (NILP)** encourages local manufacturing of many imported goods in order to nurture domestic value-added in the export of industrial components and to reduce Egypt’s trade deficit.
- **IMC creative clusters development programme, “Creative Egypt”**, integrates creative clusters into the national and international supply chains of ethnic products and handicrafts by increasing competitiveness and market penetration opportunities. Linked with the Chamber of Handcrafts, the Handicrafts Export Council, and EXPOLINK to provide export promotion and linkages services.
- The MSMEDA export support services to MSMEs, including establishment of a **marketplace on the MSME Platform** to help SMEs find new markets and sales channels.
- The Export Development Authority (EDA) **online portal to promote exports** (www.expoegypt.gov.eg), with a special icon for SME access to information and services. Exporting firms are encouraged to register through the Exporter Database.
- The EDA agreement with the International Islamic Trade Finance Corporation (ITFC) to implement the **Arab-Africa Trade Bridges (AATB) Programme in Egypt** (2020-2021), geared to enhance the capacity of Egyptian exporters and boost exports in African markets by financing a number of export development programmes (e.g. awareness, information, training, planning and guidance services; implemented by the EDA in cooperation with the ITFC, the Export Councils and the Federation of Egyptian Industries (FEI).
- The Egyptian Exporters Association (EEA) **EXPOLINK programmes/services** support member firms with market intelligence, export-readiness tools and solutions, business matchmaking, missions, virtual export promotion platforms, etc.
- **EEA Export Incubator Programme (EIP)** for non-exporters and young entrepreneurs, an inclusive export development programme that provides all knowledge/skills for starting, managing, sustaining/expanding export businesses and supporting the start-up entrepreneur’s journey to launch a successful export business (incubation services, training, mentoring, promotion/marketing, product quality, access to finance, market linkages). Implemented by the EEA in cooperation with the Foreign Trade Training Centre (FTTC) and under auspices of the FEI. The EIP trained 18 start-ups in 2020 and will support these firms for a full year in the incubator, including offering B2B platforms for the firms to do business internationally.

- Extension of the **EDA “Green Trade Initiative”** in 2018 to increase the efficiency of SMEs in the agro-industry, their integration in export value chains (e.g. improving the efficiency of collection, transport and logistics systems), and promotion of their products in European markets (e.g. export training and guidance, export plans, e-marketing, market intelligence services, trade missions).
- **Export Councils** support the export activities of member firms through trade shows and trade missions, and by providing export opportunities and buyers’ lists, training and seminars, marketing studies, and individual consultancy. They also have a key role to play in identifying, sector by sector, the capacity needs of Egyptian factories in order to expand their exports either directly or through value chains.
- Strategic action by the **Egyptian Export Development Bank (EBE)** to finance exports and by the subsidiary **Egyptian Export Guarantee Company (ECGE)** to secure exporters of national goods against commercial and non-commercial risks, whether arising before or after the delivery of goods contracted for export.
- Establishment of an **export risk guarantee company by the Central Bank of Egypt to further boost intra-African trade** (within the context of the AfCFTA) by providing strategic support for Egyptian industrial and export services to the rest of Africa and to help Egyptian companies, including SMEs, take advantage of promising trade opportunities on the Continent and win contracts for major projects with African governments.⁵¹
- Information Technology and Industry Development Agency (**ITIDA**) **“Export IT” Programme** to support SMEs in penetrating key markets with ICT exports.
- Several **programmes/initiatives to support women entrepreneurs and their export activity**:
 - Specific targeting of women entrepreneurs in the national MSME and Entrepreneurship Strategy and Operational Plan.
 - The Export Development Bank of Egypt (EBE) launch (in 2019) of the **“Expo Lady” campaign to encourage women exporters** with a package of non-financial services (two-month long exporter training sessions and trade finance workshops) with the objective of increasing the volume of Egyptian exports. Although data is not available, the reach of this initiative is likely quite modest, although demonstrates an approach that could be scaled up to make a significant contribution to Egypt's export performance.
 - Implementation of the International Trade Centre (ITC) **“SheTrades” initiative in Egypt** in partnership with the EDA (launched in 2018, but only operationalised starting in 2021) with the strategic objective to contribute to the economic and social development of Egypt through the expansion of business, economic empowerment, sustainability, and export capacity of Egyptian women-owned enterprises. The two specific objectives are to: 1) enhance the export capacity of women-owned enterprises and their compliance with international market requirements, and 2) connect women entrepreneurs with the global value chain. The EDA also manages Egypt’s engagement in the COMESA “50 million African women Speak” (50 MAWS) platform and promotes participation to several SME exporters and export sectors. This is a digital platform (accessible via web and mobile devices as an app) to empower African women to start and scale their businesses, serving as a one-stop-shop to meet their specific information needs and forum for women entrepreneurs to learn from each other.
 - Delivery of training to women exporters (facilitated by the EEA with the FTTC with support from the EBRD) - 4 sessions in 2020.
 - “Business Women of Egypt 21” Association (BWE21) **e-commerce platform for products/services of women-owned enterprises** (www.BWE21trade.com) to facilitate B2B and B2C sales – website platform recently launched. Several government, donor, private sector and international bodies are engaged with this project (see: <https://www.bwe21.com/initiatives-protocols-projects/>).
- A number of donor projects support export development, trade facilitation, cluster competitiveness, sector competitiveness for export and GVC integration, and green growth (see selected highlight descriptions in Annex 1).

2.2. COVID-19 policy responses to support SME exporters

On the directive of the Egyptian President to support economic and export sectors impacted by the COVID-19 crisis, the initial policy response of the Government was to help Egyptian businesses, including MSMEs, with their liquidity issues so their production could continue. In March 2020, the Government announced a EUR 5.9 billion stimulus package with notable emphasis on the manufacturing and tourism sectors. This included a digital transformation loan to support SMEs. With specific reference to exporters, in March 2020, the MTI took immediate action to consult with the 13 sector Export Councils to discuss the points of an urgent action plan to cushion the effects of the COVID-19 global crisis on the industry and trade sectors. The discussion focused on strategies for increasing the demand for Egyptian products in local or foreign markets, and supporting exports in European markets (see COVID-19 Response Action Sheet # 1, Annex 2). As an outcome of those consultations, which called for an aggressive short-term programme to stimulate exports, the Ministry agreed to work with Egyptian producers to ensure availability of raw materials, especially imports, and the regularity of supply chains to prevent any production stoppages. The MTI also removed or simplified certain administrative procedures to expedite export activity (see COVID-19 Response Sheet # 3, Annex 2). The Egyptian Exporters Association moved all of its services online, becoming totally digital; subsequently, the association is requiring all member firms to become digital.

To help compensate for the difficulties of restricted international travel and movement for exporters, which caused the cancellation of trade missions, fairs and exhibitions, the Egyptian Commercial Service (ECS) and its offices abroad agreed to boost communication between Egyptian producers/exporters and their counterparts in other countries. As well, more information services were made available via online formats, including B2B and B2C match-making between firms.

Furthermore, in June 2020, the Ministry of Finance announced that SMEs could apply for certification as an “Authorised Economic Operator” (AEO) and realise the advantages previously only available to large firms, such as priority in registering the customs declaration, releasing shipments, and streamlined procedures for customs inspection and clearances through the “green path” system, etc.⁵² This action would serve to expand the export base and help restore economic activity.

Most significantly, and in response to urging of the sector Export Councils, the Ministry of Finance was directed to pay out, during March and April 2020, the entire EGP 1 billion in arrears (owed to exporting firms) from the Export Development Fund, plus 10% in cash payments to exporters during June 2020 (see COVID-19 Response Action Sheet # 2, Annex 2). The objective of expedited payment of the arrears was to provide liquidity, boost exports, and retain workers of exporting companies by helping to alleviate their working capital challenges due to the COVID-19. More than EGP 2 billion of arrears was disbursed in April and May 2020, and more than EGP 1 billion in June, impacting on the cash flow of over 2,000 exporters (although there is no available data on the size composition of these companies and what percentage might have been SMEs). The export assistance is estimated at EGP 7 billion of the state budget for fiscal year 2020/21, compared to approximately EGP 6 billion in the 2019/20 budget, reflecting an increase of 16.7%.⁵³ As of October 2020, the government reported owing exporters approximately EGP 12 billion in export assistance and announced a new initiative to offer exporters 85% of their arrears in cash immediately, instead of having to wait for the full sum owed to them.⁵⁴

The Egyptian Commercial Service (ECS) also developed a protocol with the Banque Misr to launch finance programmes to support Egyptian exporters (18-month protocol, effective January 2021, estimated financing of EGP 22 million), with a particular emphasis on exports within African countries (e.g. awareness sessions, training workshops for small exporters on trade documentation, qualifying new exporters, etc.).⁵⁵

Specific to MSMEs, the MSMEDA adopted a number of measures to support this sector during the COVID-19 outbreak. The main focus was on easing lending and administrative procedures for new MSMEs, deferral on credit payments, new bridge financing products, e-payment systems for all MSMEs, delivery of online financial and non-financial services through the electronic MSME Platform, use of online entrepreneurial training, etc. It also established a marketplace on the electronic MSME Platform to help MSMEs find new markets and sales channels.

In addition, other initiatives evolved in response to the COVID-19 crisis, notably the following three actions that sought to accelerate SME exports of ICT and ICT-enabled services and the digital transformation of MSMEs. Although they target only a small number of SMEs, they may be good models for scaling-up for greater impact.

- **Information Technology and Industry Development Agency (ITIDA) “Export IT” Programme.** In place since 2010, this programme is consistent with Egypt’s aim to be recognised as the leading regional hub for ICT-based innovation and entrepreneurship and has realised some success in encouraging and supporting ICT exporters penetrate key markets (with ICT and ICT-enabled services, embedded software, digital marketing and data-processing services, etc.).⁵⁶ In response to challenges caused by the COVID-19 pandemic, the ITIDA launched a new round of the “Export IT” programme as a coping mechanism.⁵⁷ This programme seeks to boost value-added IT exports of small businesses and local IT start-ups and increase their market penetration capabilities.⁵⁸
- **The “Digital Future” national initiative.** Launched in July 2020 by the Ministry of Public Enterprise Sector, in cooperation with the Egyptian Federation of Egyptian Chambers of Commerce (FEDCOC), Microsoft and Fiber Misr Systems, this initiative aims to enable SMEs to cope with the digital transformation and market their services through digital means, including support for enabling start-ups and existing SMEs to acquire licenses for Enterprise Resource Planning (ERP) software (at an affordable monthly subscription cost), and technical support and training in managing an ERP system.⁵⁹ The initiative trades on the digital transformation experiences of Egypt’s public enterprises and the transfer of this experience to private SMEs.
- **Nilepreneurs Initiative “Be Digital” Programme.** In particular response to the COVID-19 pandemic, Nile University, in cooperation with the Banque du Caire, launched the “Be Digital” Programme to help the digital transformation of SMEs in the engineering industry sector or related field (e.g. equipment, machinery, production lines, electric cables, electrical appliances, computers and electronics, metal furniture, medical devices). The objective was to increase their exports in existing markets and open up in new international markets by way of e-commerce and viable digital alternatives for management and business operations (e.g. digital marketing and e-payment solutions, managing digital supply and marketing chains, etc.).⁶⁰ The “E-commerce” track helped companies become export-ready with an online presence on international trade portals and the “Innovate” track, in partnership with the Engineering Export Council of Egypt, aimed to upgrade products for global markets.

In addition, as a response to the COVID-19 crisis, and important to achieving a green economic recovery, in November 2020, the EBRD further **reinforced the Egypt-EBRD Green Value Chain Programme** with another boost of an additional EUR 150 million of financing for SMEs across the agricultural, construction, commercial and manufacturing sectors for green investments in energy, water and resource-efficient solutions.⁶¹ As well, in 2020, the EBRD provided an additional USD100 million loan to the National Bank of Egypt under the **EBRD Trade Facilitation Programme** to help meet the demand for trade finance for import and export transactions.

2.3. Summary highlights of the strengths, weaknesses and opportunities to support SME export activity

The following table presents the key points of a SWOT analysis of the existing policy framework and SME export supports.

Strengths	Weaknesses
<ul style="list-style-type: none"> • A large internal market contributing to product demand and increased production capacity that could be directed to export markets. • Rich in natural resources. • Well-crafted national Industry and Trade, MSME and Entrepreneurship, Export Development, and Digital Transformation strategies, with policy measures related to the export development and value chain integration of MSMEs. 	<ul style="list-style-type: none"> • Relatively high dependence on oil and petroleum related products in the export basket (about two-thirds of merchandise exports) – need for greater diversification. • Majority of exports remain concentrated in a few markets, the EU, USA, and Arab countries, with underdeveloped trade engagement with Africa; many export products are low value-added.⁶²

<ul style="list-style-type: none"> • A large number of trade agreements with countries and regions. • Organised structure of Export Councils represent exporters in 13 industrial sectors, which facilitates public-private consultation on the export challenges, needs and opportunities of exporting firms, including SMEs. • Green Value Chain Programme and Green Economy Financing Facility provides green finance to SMEs and technical assistance to help SMEs adopt green technologies and practices and convert to low carbon schemes. • Experience and capacity in supporting development of export-oriented SME clusters across a number of sectors, although this should be further exploited. • Attractive incentives to attract FDI in SEZs and free zones, and to encourage exporting firms. • Engagement of many stakeholders in delivering programmes to ameliorate the impact of COVID-19 on SME exporters/exports. 	<ul style="list-style-type: none"> • Many SMEs lack exporting know-how and the capacities and capabilities to meet global buyer requirements and thus, participate in GVCs. • Somewhat limited uptake of e-commerce among MSMEs. • Inadequate logistics infrastructure to support large-scale e-commerce activity on international e-commerce platforms (e.g. warehousing/distribution centre facilities, delivery transport system, etc.). • Customs procedures and other trade facilitation processes in need of further simplification/implementation. • Underexploited opportunities from the myriad of free trade agreements. • Potentially insufficient level of coordination of public stakeholder groups in executing an integrated, whole-of-government approach to post-COVID-19 recovery of direct and indirect SME exports.
Opportunities	Threats
<ul style="list-style-type: none"> • Implementation of the African Continental Free Trade Area (AfCFTA) Agreement will open up new export markets and value chain opportunities for Egyptian firms/SMEs, including increased intra-regional trade and supply chain linkages. • Transition to diversified and higher value-added products to meet market demands in other countries. • High potential for e-commerce growth in Egypt; the MCIT is well positioned to take the lead on a lead the pack in realising it. • Rapidly growing ICT sector could be generator of future ICT-related exports, plus provider of local sourcing from SMEs. • B2B in global value chains, such as Business Processing Outsourcing; development of a national B2C E-Commerce Platform. • Potential of blockchain technology to boost exports and global value chain integration of Egyptian MSMEs (will require reforms in maximising the adoption of virtual sales, electronic signature, and smart contracts). • Full implementation of the WTO Trade Facilitation Agreement to reduce trade barriers. • Taking advantage of FDI in SEZs to build capacity of local SMEs as suppliers through development and linkage programmes, generating higher levels of domestic value-added in exports. • Conformity with the EU Green Deal will open up new opportunities for Egyptian firms to export environmentally-friendly products to European countries and to become part of “green” value chains. 	<ul style="list-style-type: none"> • Ongoing COVID-19 related restrictions, which will continue pressure on tourism sector (and foreign exchange), and limit face-to-face trade missions. • Post-COVID-19 re-shoring in global supply chains and impact on Egypt suppliers. • Tardiness in implementing the WTO Trade Facilitation Agreement.

Section 3. Country Roadmap: Priority axes to support export-directed activity of SMEs

The roadmap for Egypt will consist of two levels of priority intervention for strengthening SME exports:

- the first is based on the list of possible priority interventions determined by the SME Internationalisation Working Group to be critical to Egypt as part of its country (national) roadmap, coordinated by the IMC (see Section 3.1 and Section 4.4).
- the second is based on the regional roadmap priorities to be supported by the MED MSMEs Programme over the coming 18 months (see Sections 4.1-4.3).

The MED MSMEs Programme does not have a specific budget to support the further analysis of or implementation of the projects to address the national priorities. However, the Programme will organise a webinar with donors active in Egypt to present the national action priorities and identify possibilities for providing funding support for these priorities within the context of existing or future programmes.

Within the context of the MED MSMEs Programme for 2021, the regional roadmap will consist of two areas of intervention to facilitate the export activity of MSMEs and their integration into global value chains (see Sections 4.1-4.3), both areas already noted as stated priorities of the Egyptian Government – digitalisation and green growth. These focus areas have been agreed to by the EU to be supported in the MED MSMEs Programme 2021 workplan.

3.1. Priority country initiatives

Based on the preliminary analysis, seven tentative priorities were identified as possible proposals for the national roadmap to strengthen the export-driven activity of Egyptian SMEs. These were reordered in terms of priority in accordance with written comments received from Egyptian stakeholders, and an eighth priority added based on the discussion of stakeholders at the March 29, 2021 zoom meeting on SME Exports (see table below).

N°	Proposed key priorities	Justification
1	Develop SME competencies, standards, and certifications to meet the international standards of GVCs and export markets.	<p>Some SMEs are not able to meet the international standards or quality certifications required for exporting to foreign countries or gaining supplier access in GVCs. This could be assisted through enhanced availability of market information, the creation of a B2B industrial portal where all Governmental initiatives are published, implementation of financial inclusion mechanisms, as well as targeted initiatives of implementing bodies to qualify the SME exporters to meet international standards. Areas of cooperation with the EU include aligning Egyptian standards with EU harmonised standards, preparing a national Quality Law based on the EU regulations, and achieving compliance of the Egyptian National Quality Infrastructure (institutions) with the EU (e.g. analysis of the Egyptian quality infrastructure – standards, metrology, market surveillance, accreditation institutions, capacity building and modernisation of quality infrastructure) to meet EU requirements for Accreditation and Conformity Assessment agreements (ACAA) with the EU.⁶³</p> <p>Since a limited number of Egyptian SMEs are currently engaged in export activity and a number of export-potential SMEs may not have the individual capacity to engage in export activity or operating at a scale where exporting is a feasible goal, strengthening of cluster programmes for export-oriented SMEs could be beneficial in enhancing their competencies and export capacity and encouraging them to combine their resources to achieve the necessary scale as well as linking them with e-commerce platforms and digitalising their operations to better enable integration in GVCs.</p>
2	Strengthen the digitalisation of SMEs and the ecosystem	<p>Although Egypt has taken important steps to facilitate e-commerce, including donor interventions in the area, the challenge of building the digital capacities of SMEs is great. Recent survey evidence</p>

N°	Proposed key priorities	Justification
	actors to boost export possibilities.	<p>reveals that just less than half of Egyptian enterprises use computers to manage the financial and administrative functions of the business; and while just over half of them use the internet to present their goods and services online, only 8.3% use e-commerce to sell their products and services (7.5% of small enterprises, 12.1% of medium enterprises, and 16.2% of large enterprises).⁶⁴ Obviously, SMEs need support for going digital, which would require capacity building skills, such as training in e-commerce and its application to reaching external markets, development of their e-commerce capability, and the necessary technical and marketing consultancy support. Building the e-commerce capability of SMEs will increase their export possibilities, but will require an integrated and coordinated approach involving the IMC, MSMEDA, the MTI, Export Councils, the EDA, the industry/business federations, the ITIDA, the MICT, and the Egyptian Commercial Service.</p> <p>This is consistent with the Digital Egypt strategy (which likely needs updating in response to implications from the COVID-19 crisis) and the digital transformation of SMEs programme.</p> <p>Likewise, the digital support capacity of the ecosystem players will need to be strengthened in order to enable Egyptian SMEs to seize international market opportunities, although in response to the COVID-19 crisis, the MSMEDA adopted many measures to mitigate its effects on SMEs, some of which related to digitalisation, such as providing online training, online registration and establishment services, and supporting SMEs to find new markets and sales channels via the MSME platform marketplace. This may involve the regulatory framework, development of digital services, and full implementation of digital systems for supporting exporting SMEs. Specific topics under the broad intervention area of digitalisation could include, but not be limited to:</p> <ul style="list-style-type: none"> • E-commerce and e-commerce platforms² (policies, rules and regulations) • E-payment solutions • Digital trade facilitation, including and electronic single window • Digitalisation in transport and logistics • Virtual export promotion (e-B2B, virtual showcasing of products through digital market places, etc.) <p>Complementarity of the different donor activities currently ongoing in the e-commerce sector would need to be ensured. As well, issues of logistics facilities and systems will need to be addressed to ready Egypt for expansion of Amazon e-commerce platforms in the country.</p> <p><i>(For description of detailed actions proposed under the MED MSMEs Programme regional project, see “#1 Action” in section 4.3 below.)</i></p>

² It should be noted that the MSMEDA has launched the MSME portal with the aim of providing MSMEs with all information and services available in the ecosystem that would support starting a business or developing an existing one.

N°	Proposed key priorities	Justification
3	Business reforms to further simplify, streamline, and digitalise the import-export requirements and procedures.	<p>Exporting and importing SMEs in Egypt may face lengthy and costly customs and inspection procedures. The COVID-19 pandemic has only reinforced what has already been a global trend, namely, the digitalisation of trade procedures. International trade activity could be made more efficient and transparent by digitalising processes, which would also make trade processes less costly and time-consuming for SMEs, as well as facilitate trade transactions with international buyers. As per analysis by the World Bank, a considerable effort is still required to reduce administrative and non-tariff barriers to trade with Egypt.⁶⁵ In this regard the work of the National Trade Facilitation Committee will be critical, such as full implementation of the National Single Window (NSW), as per Prime Minister Decree 20/2019.</p> <p>Dealing with the COVID-19 crisis has also led to changes in perceptions of border agencies regarding trade facilitation and the enhanced use of ICT in the redesign of border processes and operations in order to maintain supply chains. COMESA, for example, points to the use of Electronic Cargo Tracking Systems and Global Positioning Systems (track-and-trace systems) in freight vehicle units as an opportunity to institute performance management systems to improve operations at border crossings, reduce the costs of transporting goods, and contribute to the competitiveness of products from COMESA Member States. In line with this, Egypt is taking steps to implement an Advanced Cargo Information System (as per Ministry of Finance Decree 38/2021 and 222/2021). COMESA further recommends the upgrading of ICT systems with connectivity among the government agencies coupled with the application of the principles of risk management and reducing physical inspections.⁶⁶ These are issues to be taken up by the Egyptian Government.</p>
4	Increase the participation of Egyptian SMEs as suppliers of export-focused firms in the SEZs, Free Zones and industrial estates.	<p>As a response to the COVID-19 crisis and disrupted supply chains, and in line with government policies to increase local components in industries and improve local value chains, the MSMEDA partners with SME networks, associations, companies (suppliers and retailers) and donors to strengthen SME partnerships in different supply chains, especially in agribusiness, industries and tourism, to help them improve their products, business skills, and distribution processes through the provision of analysis and advice, so they may supply exporting firms with competitive local products. However, some Egyptian SMEs often do not have the capacity to enter into supplier relationships, yet would have the potential to enter the supply chains of firms operating in the SEZs and Free Zones if supported with tailored technical assistance to build their capacity in terms of production, quality, and ability to meet international standards requirements of the potential buyer firms of their materials and inputs.</p>
5	Access more diversified, new export markets with a priority on	<p>The African market shows great under-exploited trade potential for Egypt, similar to all African countries – both for direct export and for sourcing imported inputs for re-exporting, and thus for building stronger supply chain relationships within the African Continent. Within the context of the AfCFTA, these opportunities should be</p>

N°	Proposed key priorities	Justification
	opportunities in the African Continent.	examined and strategies developed for approaching these markets with value-added products meeting their standards. The Egyptian Commercial Offices are playing a unique and important role in this area.
6	Implement the UNIDO “Roadmap for Improving PPE Production in Egypt”.	<p>The COVID-19 pandemic has forced many countries to rethink their PPE supply chains, and Egypt is in need and has the potential to do the same, through engagement with the medical, pharmaceutical, textiles, and PPE sectors.⁶⁷ The UNIDO (2020) “Roadmap for Improving PPE Production in Egypt” highlights the opportunity for Egypt to capitalise on the global demand for PPE (respirators, surgical masks, cloth masks, face shields, etc.), and become one of the major global market players in the PPE industry by enhancing the PPE supply chain in Egypt. The roadmap lays out implementation recommendations, e.g. offering financial and technical support to help manufacturers repurpose production lines to produce PPE; investing in the technology and equipment needed to produce the medical raw material needed for PPE production using a “spun-melt” technology to produce all types and sizes of polypropylene sheets; clearly defining the product safety specifications and standards; working with regulatory bodies, such as the Ministry of Health, to adopt the global standards; and facilitating and expediting registration procedures of new medical devices for PPE-related products.</p> <p>Some Egyptian manufacturers have already made this transition as a way of sustaining their business during a period of declining market demand for their traditional products. By helping SMEs identify opportunities for retooling their production lines to meet foreign demand for COVID-19-related products, Egypt could diversify both its export products and its market destinations, as well as its supply chain relationships. Implementing an initiative would require financing options for the SMEs as well as some technical assistance or advisory services.</p> <p>In this regard, the Federation of Egyptian Industries (FEI) has established an R&D office (i.e. Egyptian Industrial Innovation and Maintenance Office), which could play a role in implementation of the UNIDO Roadmap by providing technical support to industrial enterprises to repurpose their production lines to produce PPE and, thus, enhancing the PPE supply chain in Egypt, as well as other of the country programme priorities for Egypt.</p>
7	Take advantage of the EU green transformation to boost integration of Egyptian SME in EU value chains and expand exports.	Post COVID-19, there are opportunities for Egyptian MSMEs to take advantage of opportunities and trends in the EU market, specifically the EU Green Deal (positioned as a priority in the post-COVID-19 economic recovery plan and to “building back better”), the EU Circular Economy Action Plan, Industrial Strategy and Sustainable SME Strategy, ⁶⁸ which call on all economic sectors to take relevant action towards greater sustainability, including investing in environmentally-friendly technologies and meeting the international environmental standards for exports and GVC supplier firms.

N°	Proposed key priorities	Justification
		<p>The trend towards environmentally-friendly technologies and production offers a potential opportunity for SME integration into EU value chains, be it with regards to sustainable production in the agro-food industry and the textiles sector⁶⁹ or supplying parts for renewable energy or other “green” technologies.</p> <p>The Minister of Trade and Industry has already begun discussions with the Governmental Committee on Trade and Environment on the potential implications for Egyptian exports under the EU Green Deal, with particular emphasis on meeting the environmental requirements and standards in key sectors: agriculture, food, textiles, chemicals and industrial fertilizers.⁷⁰</p> <p>Innovation and support schemes can be instrumental in assisting SMEs to adapt and upgrade their products and production processes, to comply with sustainability standards and to create business linkages with value chain leaders, steps considered essential to post-COVID-19 green economy recovery and integration in green value chains. The MSMEDA is financing environment-friendly projects, such as renewable energy (biomass, solar energy), cook stoves and recycling and waste management, and applying integrated environmental management plans to projects, either partially or fully financed by the MSMEDA, as measures to protect and preserve environment resources. As well, outreach activities are needed to introduce MSMEs to the opportunities in the EU Green Deal and what is required in order to take advantage.</p> <p><i>(For description of detailed actions proposed under the MED MSMEs Programme regional project, see “#2 Action” in section 4.3 below.)</i></p>
8	Update the National Industry and Trade Development Strategy to reflect the post-COVID-19 realities and respond to the need for greater coordination and collaboration of ecosystem partners in its design and implementation.	<p>The current “Industry and Trade Development Strategy” ended in 2020; the strategy is now under review in coordination with the National Structural Reform Programme (NSRP) 2021-2014.³ As per stakeholder input at the MED MSMEs Programme Egypt SME Internationalisation Working Group meeting of 29 March 2021, the new strategy will seek to increase Egyptian exports to USD 100 billion within three years, a significantly increased and ambitious target. To achieve this target will, for example, require policies and programmes to: create a new generation of exporters; increase the share of manufacturing exports and high-technology exports in total exports; special focus on improving the export competitiveness of SMEs (to increase the share of SME products in total export value); diversify export market destinations (e.g. African Continent); continue to improve trade facilitation procedures; and achieve greater alignment and coordination of all supports/incentives and institutions (e.g. fostering horizontal coordination within the government to reach the export targets, reducing the possibilities of “scattered” initiatives and efforts, and</p>

³ The NSRP includes a target to increase Egyptian exports, diversify productive structures for industry, agriculture, and telecommunication and information technologies, and maximise Egyptian digital exports by training 100,000 youth to compete in the global labour markets.

N°	Proposed key priorities	Justification
		<p>creating more synchronisation of interventions to achieve greater reach and impact).</p> <p>The updated strategy should also integrate policy and programme lessons learned in responding to the impact of the COVID-19 crisis and the “going forward” opportunities, such as digitalisation, green economic recovery (e.g. meeting EU “greening” standards for exports and GVC linkages), restructuring of global and regional value chains, and greater regional trade integration.</p> <p>Developing the strategy will require extensive consultation with the public and private sector entities engaged in policy and programme support, including the IMC, the MTI, the MSMEDA, the EDA, the 13 Export Councils, the EDF, the Exporters Association, the FEI, and the Federation of Egyptian Chambers of Commerce (FEDCOC), as well as other ministries related to agriculture, the environment (“greening”) and information and communications technology (“digitalisation”).</p> <p>The renewed strategy may also have implications for updating action plans under the Export Development Strategy 2018-2020 (which is aligned with the Industry and Trade Development Strategy).</p> <p>Critical to enhancing the level of inter-institutional cooperation and coordination could be establishing a higher-level public-private sector working group on SMEs internationalisation. This would be in response to the need expressed by Egyptian stakeholders (during the 29 March Working Group meeting) for enhanced public/private sector dialogue fora and platform.</p>

Section 4: Regional roadmap activities

Two regional project priorities have been determined for support by the MED MSMEs Programme as part of the regional roadmap to strengthen the instruments and services supporting SME exports in a post-COVID-19 environment:

- A. Capturing new trade opportunities through the digital internationalisation of SMEs and the ecosystem.
- B. Taking advantage of the evolution and restructuring of regional and global value chains and the EU Green Deal recovery plan.

Members of several working groups on the internationalisation of SMEs in the region have shown an interest in analysing these new opportunities and the adaptation and consequent strengthening of the national SME ecosystems. These two topics also align with Egypt’s priorities, evident in the announcement by the Egyptian Ministry of Planning and Economic Development in December 2020 that **a shift to a “green economy”** (e.g. environmental sustainability, as in green transportation, renewable energy, water and waste management) **and “digitalisation”** (ICT applications in education, health, industry, agriculture) **are top priorities for the country as it rebounds from the COVID-19 crisis**, as announced in the NSRP 2024 in April 2021.

The two regional projects were determined on the basis of five criteria:

1. Focus on MSMEs
2. Contribution to the post-COVID-19 rebound
3. Added value (regionally)
4. Duration of impact (maximum 18 months – the length of time remaining on the MED MSMEs Programme)

5. Complementarity with EU bilateral initiatives

4.1. The digital ecosystem for the internationalisation of SMEs - rationale

Digitalisation and the rise of the platform economy are rapidly changing the way companies do business. This trend is reflected in the EU's new Industrial Strategy, the SME Strategy for a Sustainable and Digital Europe, as well as in Egypt's Digital Egypt Strategy and post-COVID-19 economic recovery. The need for deployment of this strategic direction has accelerated with the COVID-19 pandemic which has led to a rapid increase in the digitalisation of procedures, service delivery and the way of doing business. This trend applies to e-commerce which enables MSMEs, even in remote locations, to find buyers via B2B or B2C platforms and thus to export or integrate into GVCs. Digital access to services and the digitalisation of trade procedures reduces the overall time and costs of acquiring information and carrying out the necessary procedures. The reduction of costs and time delays is especially important for SMEs that lack the resources to manage the associated processes, from the identification of buyers to paper-based customs procedures and the necessary travel involved. On the other hand, there is a risk that SMEs, not yet ready for the electronic transformation of their operations, will be further marginalised if the ecosystem is not capable of supporting their digital transition needs. Thus, it is important to put in place policies, regulations and instruments (e.g. digital marketing, access to digital platforms, e-payment systems, e-trade facilitation services) that are aligned with international good practice and can support SMEs to benefit from digitalisation. This ecosystem is particularly important for SMEs because they tend to have less control over their commercial environment. **(Focus on MSMEs)**

In the current COVID-19 crisis, adapting to digital means and exploiting the new possibilities created by e-commerce are essential for the survival of SMEs. In the post-COVID-19 environment, there will be no alternative to "going digital". Globally, the pandemic has given rise to an accelerated increase in the use of e-commerce platforms for the acquisition of goods and services. This trend towards e-commerce has been accelerated by the crisis, both for domestic and cross-border trade. A recent UNCTAD survey of digital entrepreneurs and e-commerce platforms highlighted several major hurdles faced by developing countries during the COVID-19 crisis; in addition to general disruptions in supply chains and trade logistics, survey respondents expressed the need to improve e-commerce policies in response to the pandemic and challenges regarding the availability and reliability of e-payment solutions.⁷¹ **(Contribution to the post-COVID-19 recovery)**

The regional perspective is imperative because consistency in the development of digital trade policies is not only essential in general, but also essential to encourage intra-regional digital trade.⁷² **(Added value regionally)**. Moreover, the regional perspective is a crucial complement to the many national donor initiatives currently underway in the field of e-commerce **(complementarity with bilateral EU initiatives and bilateral donor initiatives and programmes)**. Egypt's achievements can be shared at the regional level so that other countries can benefit from the Egyptian experience and vice-versa.

Based on the policy orientation of the MED MSMEs Programme and its scope, the following topics seem to be the most promising for regional exchange and support at the national level: (a) coordination platforms for export support measures (taking into consideration existing platforms in Egypt); (b) services to support SMEs in export development through digital platforms; and (c) regulatory aspects related to international trade and e-payment systems. This latter issue also presents an opportunity for synergies with the activities proposed under the "access to finance" pillar of the MED MSMEs project.

4.2. Developments in global and regional value chains and EU Green Deal recovery plan - rationale

Two aspects are relevant with respect to the integration of Egyptian SMEs in regional and global value chains and access to emerging markets: (a) analysis of opportunities created by the reorganisation of some value chains following the COVID-19 crisis and implementation of the EU's new Industrial Strategy, "Green Deal" and Circular Economy Action Plan, and (b) measures to ease the access of Egyptian SMEs to African markets.

In view of the resources programmed by the EU over the next 7 years (2021-2027) to support the green and digital transition, public and private sector actors will be called upon to:

- invest in environmentally-friendly technologies
- support industry innovation
- deploy cleaner, less costly and healthier forms of private and public transport
- decarbonise the energy sector
- ensure that buildings are more energy efficient
- work with international partners to improve global environmental standards.

The use of environmentally-friendly technologies and production offers a potential opportunity for the integration of Egyptian SMEs in value chains, whether in organic and sustainable production in the agro-food industry or in the supply of components/services for the renewable energy sector or other “green” technologies. As a result, innovation and support programmes would be needed to enable SMEs to adapt and improve their products and production processes, comply with sustainability standards and create business linkages with value chain leaders.

Following the COVID-19 health crisis, European businesses are confronted with the need to review their value chains (e.g. health products, logistics/transport, etc.) through reshoring and nearshoring activities. Due to its proximity to the EU market, the Southern Mediterranean region, including Egypt, could benefit from this trend, for which perspective analysis could prove useful to support the decision-making process in terms of the strategic development of SMEs.

4.3. Regional support actions

During 2021, the MED MSMEs Programme plans to support regional implementation of the following two actions, in which Egypt may participate. (*These relate to proposed national priorities Nos. 2 and 7 listed in section 3.1 above.*)

# 1 Action	Better use of digital technology to seize opportunities for internationalisation
Main objective	Strengthen the digital ecosystem to enable Egyptian MSMEs to seize opportunities in international markets.
Specific objectives	<ul style="list-style-type: none"> i) Raise awareness of the target group on good practices in digital ecosystems and e-commerce platforms to support the internationalisation of MSMEs; ii) Identify the policies and measures necessary to support the digital transition in the field of exporting and integration of Egyptian MSMEs into GVCs; iii) Consolidate the national digital MSME ecosystem.
Expected results	<ul style="list-style-type: none"> - The target group is made aware of the policies and best practices of digital platforms for the internationalisation of firms. - The national dialogue on strengthening digital policies and services to support the internationalisation of Egyptian MSMEs is supported by the Programme. - Support aimed at strengthening the skills, organisation and/ or the legislative and regulatory framework of the digital ecosystem of Egyptian MSMEs are provided by the Programme.
Partners (national and regional)	Staff of the ministries of trade and industry, ICT, MSME development agencies, export councils, chambers of commerce and industry, other federations / business associations, etc.
Indicative actions	<ul style="list-style-type: none"> a. Organisation of a regional webinar on digital service platforms for export development. Development of case studies to highlight the key success factors of these new digital services in terms of infrastructure and equipment, organisation, competencies, regulatory aspects, etc. b. Rapid country-level assessments of the extent of digitalisation of services linked to the internationalisation of MSMEs in Egypt, in order to support the national dialogue. Identification of the priority area(s) of intervention and “quick-wins”, e.g. technical assistance/ capacity building

	<p>actions. Ideally, these support actions will consolidate national initiatives in the field of the digital economy.</p> <p>c. Implementation of targeted support to improve the digital ecosystem for the internationalisation of MSMEs (e.g. capacity building at the national/regional level, technical assistance for the updating of regulations relating to e-commerce, e-payment systems, the development of new digital services, the creation or strengthening of digital platforms, the training of government and agency officials and heads of business associations/ industry/ sector federations in various areas of the digital transition of the economy and MSMEs).</p> <p>d. Organisation of a regional conference for the exchange of experiences in the above-mentioned areas.</p>
Description	<p>The national SBA Coordinator will play a central role in mobilising members of the Working Group and other organisations involved in the digital services value chain for the internationalisation of businesses. Given the interconnection between infrastructural, regulatory, production, financial and commercial aspects, it will be necessary, for the success of this activity, to ensure as much cross-cutting participation as possible, as well as coordination with other national and international instruments supporting the digital ecosystem of enterprises in Egypt.</p> <p>To do this, the MED MSMEs Programme will:</p> <ul style="list-style-type: none"> - Provide <i>ad hoc</i> expertise to support the SBA Coordinator in the implementation of support actions; - Mobilise specific expertise for: i) development of the case studies and facilitation of the regional webinar; ii) elaboration of a questionnaire and conducting a rapid analysis of the digital ecosystem for the internationalisation of companies, including the identification and formulation of the support necessary for its consolidation; iii) the implementation of some support (at regional and/or national level); and iv) the facilitation of the regional conference on the exchange of experiences.
Time frame	<ul style="list-style-type: none"> - Support action (a): March/April 2021 - Support action (b): May/August 2021 - Support action (c): September/November 2021 - Support action (d): December 2021
Outputs	<ul style="list-style-type: none"> - Case studies and webinar on digital platforms for export development (at least 15 participants from the target group) - A survey on the digitisation of the international activities of MSMEs. - At least 1 meeting of the Working Group to enhance the national dialogue around the digitalisation of services to MSMEs - At least 1 support action for capacity building/organisational strengthening of the digital ecosystem for the internationalisation of MSMEs carried out at national or regional level. - Participation of Egypt in the regional conference for the exchange of experiences on digital services for the internationalisation of MSMEs.
# 2 Action	Participation Egyptian MSMEs in the evolution of regional and global value chains
Main objective	Improve the rate of integration of Egyptian MSMEs in regional and global value chains through targeted policies

Specific objectives	<p>Raise awareness of the target group⁴ on:</p> <ul style="list-style-type: none"> i) The evolution of regional/global value chains following the effects of the COVID 19 crisis; ii) The opportunities linked to the deployment of the EU Green Deal and new EU Industrial Policy.
Expected results	<ul style="list-style-type: none"> • Current developments and prospects of regional/global value chains arising from the COVID-19 crisis and the EU's new policies (digital and green transition) were discussed in-depth with the target group, with a view to identifying opportunities for Egyptian MSMEs. • The target group is familiar with the purpose, modalities of operation and spin-offs of the “circular economy” projects.
Partners (national and regional)	Staff of the ministries of trade, industry, agriculture, MSME agencies, investment promotion and export development agencies, export councils, chambers of commerce and industry, other federations/business associations.
Indicative actions	<p>a) Organisation of two regional webinars on:</p> <ul style="list-style-type: none"> - The reorganisation of certain strategic EU value chains following the COVID-19 crisis (reshoring, nearshoring). The objective of the first webinar is to highlight trends in the reorganisation of certain value chains, present the strategies of certain EU member States in this area (e.g. France's recovery plan), and discuss the potential impact on the region's productive sectors. - The Green Deal and the new EU industrial policy. The objective of this webinar is to identify the products/services of Egyptian SMEs likely to contribute to the implementation of these policies, on the one hand, and to put in place measures for the sustainable development of Egyptian SMEs, on the other hand. <p>b) Organisation of a study visit on circular economy projects in the EU.</p>
Description	<p>The SBA Coordinator will play a central role in mobilising the target group for participation in the webinars and organising the Working Group meetings aimed at fueling dialogue around the opportunities for Egyptian MSMEs arising from developments in the regional and global value chains. The SBA Coordinator will also contribute to the organisation of the study visit.</p> <p>The MED MSMEs Programme will:</p> <ul style="list-style-type: none"> - Mobilise <i>ad hoc</i> expertise to support the SBA Coordinator in the implementation of the above activities; - Mobilise specific expertise for: i) the development of case studies and animation of the two webinars; ii) identify and organise the study tour of circular economy projects in an EU country.
Time frame	<ul style="list-style-type: none"> - Support action (a): April/September 2021 - Support action (b): October 2021
Outputs	<ul style="list-style-type: none"> • Policy papers and 2 webinars (at least 15 participants from the target group in each webinar). • At least 1 meeting of the Working Group to support the national dialogue on the integration of Egyptian MSMEs in regional and global value chains. • Participation of the Egyptian delegation in the study visit of circular economy projects in the EU. • Report of the study visit.

⁴ Egyptian stakeholders stressed the importance of including outreach to SMEs in the “target groups” in order to introduce them to opportunities in the EU Green Deal and how to comply with green recovery initiatives and integration in green value chains.

Annex 1. List and brief description of organisations in the SME export development ecosystem

Organisation	Specific actions to support MSME exports and value chain integration
Public sector	
Ministry of Trade and Industry (MTI)	Lead on the National Export Strategy; carries out various trade facilitation and logistics functions, e.g., import licenses, resolution of border crossing issues, issuance of certificate of origins, and issuance of certified economic operation certificates for exporters that was recently extended to qualified SMEs.
Industrial Modernization Centre (IMC)	Affiliated to the MTI. Mission is to support industrial enterprises through comprehensive programmes aiming at green growth and sustainable development. Strong supporter of Egyptian industry by working to enhance the value of the local industrial component, which contributes to reducing the gap between exports and imports and thus increasing the industrial sector's contribution to output. Offers its service packages to all industrial establishments in all industrial sectors and in various industrial zones. Aim is to aid in making Egypt a leading industrial country in the MENA region and a major export center for medium-technology manufactured products by 2025. The IMC strategic plan (2020-2023) aims to increase the growth rates and exports of companies that benefit from the center's services, in addition to developing industrial and craft clusters and value chains for various industrial sectors. Promotes adoption of Industry 4.0 in the manufacturing industries; organises a number of B2B meetings.
Micro, Small and Medium Enterprise Development Agency (MSMEDA)	Responsible entity, under to Office of the Prime Ministry, for development of MSMEs and entrepreneurship, either directly or through coordination of the efforts of different stakeholders. Implements and coordinates financial and non-financial support programmes aiming at improving MSMEs. Specific to export development, the MSMEDA provides access to training to improve the readiness of MSMEs for export activity through the MSME Enterprise Platform (e.g. familiarity with marketing mechanisms, export procedures, export requirements, trade agreements and taking advantage of their advantages; standards specifications for industrial/agricultural products, proper packaging methods, and knowledge of export opportunity sources); sensitisation and training on the importance of e-marketing and e-commerce, and providing an electronic store for each participating MSME to display and market its products in various sectors; and facilitating MSMEs in building networks to supply commercial chains (primary focus on matching of qualified suppliers in terms of quality, price, and packaging requirements to procurement managers in public and private sector organisations/businesses across the governorates). Implemented many measures to support MSMEs affected by the COVID-19 outbreak.
General Authority for Standardization and Quality (EOS)	Responsible for quality control issues in Egypt and alignment with WTO standards; and developing and issuing Egyptian standards and ISO standards. Undertakes activities related to quality assurance, conformity assessment, and testing and industrial measurements. Formulates food safety standards for the Egyptian market, and harmonisation of Egyptian standards with relevant international standards.
Egyptian Commercial Service (ECS)	Located in offices abroad, the ECS aims to attract foreign investments, promote trade and diversify export markets for Egyptian goods and services by supplying information and services to Egyptian companies. Signed a protocol with the Banque Misr in December 2020 to launch finance programmes to support Egyptian exporters with a particular emphasis on exports within African countries. ⁷³ This will include sessions to increase awareness among exporters of opportunities in African markets, qualifying new exporters, training workshops for small exporters on international trade operations and documentation, and organising at least six trade missions to African countries.

Egyptian Export Development Authority (EDA)	<p>Implements the Government's export strategies in coordination with the different entities to increase the rate of exports by promoting exports through electronic methods and promotional missions, organising business matchmaking meetings, and building and developing export capabilities through specialised training and technical support. Works closely with the MTI and other government and private sector entities. Cooperates with the Export Councils to support exporting companies and provides subsidies to members companies of the Export Councils. Keen to engage SMEs in the development of the export sector, by, for example, launching an online export portal (www.expoegypt.gov.eg) to act as a national trade platform that supports exporters throughout the whole export process - providing information on the global spread of Egypt's products, target markets, Trade Agreements, incentives for exporters, and shipping costs, which allows exporters to search for export opportunities in different markets. Special icon for SMEs to access information and services, e.g. export training, consultancy services. Operates an Exporters Service Centre.</p> <p>Agreement through the MTI with the International Islamic Trade Finance Corporation (December 2020 to September 2021) to boost Egyptian exports in African markets under the umbrella of the Arab-Africa Trade Bridges (AATB) Programme. Implementing the programme in Egypt in cooperation with the export councils and the Federation of Egyptian Industries (FEI) with the aim to finance a number of EDA export development programmes to support access of Egyptian exports to African markets. Includes training sessions to raise awareness of export opportunities in the African market and the technical requirements and specifications required to enter promising African countries, and to provide export planning and guidance services to educate exporting companies about mechanisms of accessing African markets. The programme targets certain export sectors, including building materials, chemical industries, medical and pharmaceutical industries, engineering industries, printing, packaging, paper products, and furniture⁷⁴, and builds on existing initiatives to support trade integration and capacity development in the pharmaceuticals and agri-foods sectors.</p> <p>Implements the Green Trade Initiative (2014-2017, extended in 2018) to enhance the efficiency of SMEs in the horticulture value chains (Tomato, Artichoke, Grapes, Lettuce, Bell-pepper, Strawberries, Green beans and Pomegranate) to promote their products in the EU markets.</p> <p>Partners with the International Trade Centre (ITC) on "SheTrades" project to provide Egyptian women entrepreneurs with a global network to connect with markets and potential suppliers/buyers. Also managing Egypt's engagement with the COMESA "50 million African women Speak" platform and promoting participation to several SME exporters and export sectors.</p>
Foreign Trade Training Centre (FTTC)	Established by the MTI in 2001 as a specialised training centre to deliver state-of-the-art training courses and services in business, trade, and export development and promotion.
Export Development Fund	Under the Ministry of Trade and Industry; encompasses the Export Support Fund to incentivise exports. Administered through the Ministry of Finance.
Information Technology and Industry Development Agency (ITIDA)	Arm of the MCIT. Operates "Export IT Programme" to encourage, support and provide export incentives to Egyptian companies (primarily SMEs) penetrating key markets with ICT exports. Also offers capacity building of Egyptian IT companies to develop their skills in serving multinational IT companies (vertical integration implications). See: https://itida.gov.eg/English/Programs/Export-IT%20Rebate%20Program%202017/Pages/default.aspx/
General Organization for Export and Import Control (GOEIC)	Inspects commodity exports and imports; prepares statistics on exports and imports; works with the MTI to facilitate the movement of trade, encourage exports of Egyptian industries, and raise the competitiveness of Egyptian products in global markets.

Egyptian Customs Authority (ECA)	Affiliated to the Ministry of Finance. Controls movement of goods imported into the country and exported goods, including through ports.
Export Development Bank of Egypt (EBE)	The main funding source for trade finance and export operations in Egypt. Encourages Egyptian exports and access to global markets by expanding the financing of export and import substitution projects, participating in joint loans, and contributing to their capital.
Egyptian Export Guarantee Company (ECGE)	Subsidiary of the Export Development Bank of Egypt. Provides credit insurance against commercial and non-commercial risks, whether arising before or after the delivery of goods contracted for export, factoring services, buyer's information reports and export debt recovery to Egyptian exporters.
General Authority for Investment and Free Zones (GAFI)	Principal government body regulating and facilitating investment in Egypt. Establishment of a centralised one-stop-shop for investors, the operationalisation of a nation-wide Investment Map for investors; management of special economic zones and attracting FDI.
Private sector	
Sector Export Councils	13 Sector Export Councils established by the MTI in cooperation with private sector: Food Industries; Medical Industries; Building Materials, Refractories & Metallurgy Industries; Ready Made Garments; Chemicals and Fertilizers; Egyptian Furniture; Engineering; Home Textiles; Agricultural Crops; Handicrafts; Leather Sector. Councils support the export activities of member firms through trade shows and trade missions, and by providing export opportunities and buyers' lists, training and seminars, marketing studies, and individual consultancy.
Egyptian Exporters Association (EEA)	Membership association for exporting firms. Operates EXPOLINK - supports EEA members to develop export-ready products and exporting activities, such as through market intelligence and supplier-buyer matchmaking. One of the main enablers for exports in Egypt, ExpoLink collaborates with the private sector and related entities to empower exporters with effective export-readiness tools and solutions; offers a full range of export development and promotion activities to assist the export community in maximising global outreach and international compliance. Works closely with related organisations and institutions to embrace and collectively achieve nationally recognised goals for sustainable economic growth.
Federation of Egyptian Chambers of Commerce (FEDCOC)	Active in hosting international meetings to open up markets for Egyptian products and attract FDI, including a number of virtual international conferences and exhibitions in response to the COVID-19 pandemic. Partnering with the Ministry of Public Enterprises Sector, Microsoft, and Fiber Misr Systems to implement the "digital transformation for SMEs" initiative under the "Digital Future" strategy by providing Enterprise Resource Planning (ERP) programmes for start-ups and small companies. Plays an important private sector partner role with the EU and the Union for the Mediterranean (UfM).
Federation of Egyptian Industries (FEI)	Membership includes 20 industrial chambers. Supports Egyptian industries by advocating on behalf of its members for improvements to the business environment. Has established an SME Unit to focus on SME development efforts, enhance the role of sector in national economic, social and employment development, and facilitate the provision of training programmes and technical workshops to SME members of affiliated chambers.
Egyptian Businessmen's Association (EBA)	Membership-based association. Of 17 committees includes: Export Committee, Import & Customs Committee, Information Technology Committee, SMEs Committee, and Sustainable Development Committee. Has 12 Egypt-(country) Business Councils.
Business Women of Egypt 21 (BWE21)	Plays an important role in supporting and empowering businesswomen in developing local and international demand for their products and services, while facilitating opportunities for export and import, increasing the technical, professional, and administrative competitiveness of member companies. Launched an e-commerce platform in early 2021 for BWE21 members to showcase and market their products online (BWE21trade.com). The plan is to extend the platform for use by all businesswomen.

International and donor organisations and relevant programme/project support	
African Development Bank (AfDB)	Financed the “ Green Growth: Waste Management and SME Entrepreneurship Hub ” in Egypt, implemented by the Egypt National Cleaner Production Centre (ENCPO) – USD 2 million (2014-2020).
European Bank for Reconstruction and Development (EBRD)	<ul style="list-style-type: none"> - August 2020 – Under the EBRD’s Trade Facilitation Programme (TFP) which aims to boost foreign trade (international intra-regional trade) between EBRD countries by underwriting international trade transactions made by banks, approved a USD 100 million facility to Banque Misr to help meet increased demand for import and export transactions of Egyptian firms⁷⁵ (following an earlier USD 100 million facility for on-lending to SMEs impacted by COVID-19). Through the TFP, the EBRD provides guarantees to international confirming banks, and short-term loans to selected banks and factoring companies for on-lending to local exporters, importers and distributors. - Supporting Egypt’s Green Economy Transition - financing renewable energy projects and energy efficiency investments across sectors, including energy efficiency credit lines for SMEs. Also seeks to improve water efficiency through modernising water supply and waste water management.
European Union	<ul style="list-style-type: none"> - EUR 2.5 million “Support for the implementation of strategies to foster MSME development in Egypt” project with the MTI (2017-2021). This project supported drafting of the MSME and Entrepreneurship Strategy and its implementation. - “Enabling Egyptian Exports through Technology Transfer Driven Product Innovation” (EEPI) Project (2019-2020) - EUR 950,000 funding to the Engineering Export Council to improve the export competitiveness of Egyptian engineering companies (SMEs) by building their capacity to innovate in their products to meet European market requirements; help identify concrete export opportunities; and facilitate business matchmaking with European partners (http://www.eepiproject.com). Delivered within the framework of the EU Programme: “Promoting Inclusive Economic Growth in Egypt”.
(EU) Union for the Mediterranean (UfM)	<ul style="list-style-type: none"> - The EuroMed Industrial Cooperation for Egypt Work Programme (2018-2020) included a pillar on “Encouraging Internationalisation and Exports of MSMEs” (e.g. exports, clusters, regional and global value chains, networking) and a pillar on “Establishing a large pan-Euro-Mediterranean market for industrial products”. This is being renewed in 2021. Egypt is suggesting new areas of cooperation for 2021 that include digitalisation as a cross-cutting activity; fostering the green economy; strengthening industrial clusters for MSMEs; increasing intra-trade with EUROMED countries from 5% to 9% through integration activities (business partnerships, virtual marketplaces, market intelligence and export support); increasing Egypt’s exports to the EU more than 30% (increasing participation of MSMEs in export activity, prioritising of sectors/industries); building the capacity of regional clusters to boost the Mediterranean business ecosystem and maximise benefits from agreements between Egypt and the EU; aligning Egyptian standards with EU harmonised standards and conforming the Egyptian National Quality Institutions (NQI) system to the new EU national quality law (leading to signing of Accreditation and Conformity Assessment Agreements between Egypt and the EU pertaining to the national quality infrastructure (that will contribute to establishing a large pan-Euro-Mediterranean market for industrial products. (<i>Information on Egypt’s suggestions for the New Work Programme on Industrial Cooperation provided to the MED MSMEs Programme by the IMC, March 2021</i>)).
GiZ	Focus in Egypt is on renewable energies and energy efficiency, water supply and sanitation, irrigation and waste management, and sustainable economic development for employment. Funding Joint Egyptian-German bilateral

	committee for renewable energy and energy efficiency (EUR 15.5 million) in favor of the Ministry of Electricity and Renewable Energy (February 2020).
International Islam Trade Finance Corporation (part of the Islamic Development Bank)	Funding of the Arab-Africa Trade Bridges (AATB) Programme in Egypt to boost Egyptian exports in African markets implemented by the Egypt Export Development Authority (EDA) in cooperation with the Export Councils and the Federation of Egyptian Industries (FEI).
International Trade Centre (ITC), in cooperation with the MTI	<ul style="list-style-type: none"> - “Strengthening the International Competitiveness of the Textile and Clothing Sector in selected Middle East and North African Countries” (MENATEX Programme) – 2018-2021, USD 4.63 million funding from the Swedish government.⁷⁶ Goal is to boost sector exports of textiles and garment producers in Egypt (Jordan, Morocco, and Tunisia) and increases sales to traditional markets in Europe and North America (US) along with new markets in sub-Saharan Africa. with the secondary objective to strengthen regional economic integration among the four countries under the Agadir Agreement. Implemented in Egypt in partnership with the Egyptian Textiles, Apparel & Home Textiles Export Council. Project focus on bolstering the capacities of national institutions, such as textile and clothing business associations and training centres, to help better support local businesses to export. Also directly supports domestic enterprises (exporting or export-ready SMEs) with advisory services, training and coaching to help firms move up the value chain from cutting and sewing to fabric sourcing, product and design development and branding (including strengthening collaboration between larger exporting companies and small firms located in rural areas). Carries out activities, such as trade fair participation and marketing campaigns, to promote the MENA region as an attractive garment-sourcing destination for Europe and North America due to proximity and short shipping times. Explores regional trade opportunities in Sub-Saharan Africa, which offers potential for companies to extend their brands and to supply specialised products such as protective wear for the extractive industry. - Global Textile and Clothing (GTEX) programme (2018–2021) aims to increase export competitiveness of textiles and apparel sectors and increasing employment and income along the value chain. Two key outcomes: 1) improved business environment and performance of trade and investment supporting institutions in the sector; 2) improved competitiveness of SMEs. Egyptian programme started in late 2019; budget of roughly CHF 2 million; partnering with the various associations and export councils.
UNCTAD	Supported the MCIT with development of the National E-Commerce Strategy launched in 2017.
UNIDO	<ul style="list-style-type: none"> - “Inclusive Green Growth in Egypt” programme, 2019-2024 (USD 4.49 million) - to contribute to the Government of Egypt’s efforts to boost growth, productivity and job creation, while safeguarding the environment. Focus on two governorates and selected clusters and value chains related to sectors contributing to the development of the green economy, i.e. sustainable agriculture and food production, waste management, and sustainable energy, and support MSMEs. - Green Trade Initiative (GTI) project (2014-2017, extended in 2018) – (EGP 54.96 million) to enhance the performance of export-oriented horticultural value chains, including SMEs, in supplying EU markets. Implemented in collaboration with the MTI, the Ministry of Agriculture, and the Ministry of Transport. - Programme for Country Partnership (PCP) Egypt (2020+) - sector priorities include: food, textiles and leather, furniture and handicrafts, chemicals, and electronics. The several priority industrial areas include coverage of “Green Industry” (“inclusive green growth” - sustainable agriculture and food production, waste management, sustainable energy, and support for MSMEs); and value chains (sustainable development of the tomato value chain; women’s economic empowerment in selected value

	<p>chains, e.g. agri-business, creative industries, energy, tourism, and information technology).</p> <ul style="list-style-type: none"> - Development of the “Roadmap for Improving PPE Production in Egypt” (2020) under the PCP-Egypt. - “Creative Mediterranean” project (2014-2019, funded by the EU and Government of Italy; implemented by UNIDO - operating in Egypt, Tunisia, Algeria, Morocco, Jordan, Palestine and Lebanon. Involved mapping of clusters and value chains in the cultural and creative industries and piloting cluster initiatives for shared learning. - “Women economic empowerment for inclusive and sustainable growth” project, 2019-2024 (USD 2.64 million) - focus on women’s economic empowerment in agri-business, creative industries, energy, tourism, and information technology value chains.
USAID	<ul style="list-style-type: none"> - Provided training and expertise to increase the export capacities of SMEs – expand export markets, buyer contacts and sales. - Strengthening Entrepreneurship and Enterprise Development Project: 2015-2020, USD22.9 million, to support entrepreneurship and the growth and competitiveness of MSMEs; focused on select value chains, including ready-made garments, plastics, automotive accessories, dairy products, and fisheries; placed an emphasis on women-owned businesses. Governorates of Alexandria, Assiut, Cairo, Dakahlia, Gharbia, Giza, Menoufia, Minya, Port Said, Qalyoubia, Qena, Sohag. One of the outcomes was support for the integration of 211 MSMEs into larger supply chains and the participation of more than 68 MSMEs in national and international exhibitions where deals of USD 2.8 million initial orders were concluded.⁷⁷ - Trade Economic Security, Regional Business, and Trade Development Project (2017-2022) (USD 49.9 million) to assist the government of Egypt undertake economic reforms, and to build the capacity of SMEs to take full advantage of new trade opportunities created by those reforms. “SME Development and Export Promotion” component to enhance capacities of new and export-ready enterprises to increase sales and reach new markets; and to support integration into GVCs. - Commercial Law Development Programme (CLDP) (2018-2022, USD 2.975 million) – to provide legal and trade-related technical assistance to the Government of Egypt within context of the US-Egypt Trade and Investment Framework Agreement. - USD 22.8 million of additional funding to support economic governance and women’s empowerment, October 2020.
World Bank	<p>Cluster Competitiveness Initiatives (CCI) – 5-year, USD 500 million project (2016-2021), aiming to increase the competitiveness of 10 clusters/sector in two governorates in Upper Egypt (Qena and Sohag) based on the needs of businesses taking into account market trends and practices. Priority given to clusters in agriculture/agribusiness, light industry, mining and materials processing, tourism/handicraft, IT/business process outsourcing. and other business services, based on: potential for market growth and exports, scope for jobs, SME growth, economic impact, presence and commitment of active SMEs and other businesses in the cluster, and feasibility to address challenges cost effectively within the scope of the programme.</p>

Annex 2. COVID-19 response action sheets – Egypt

COVID-19 Response Action Sheet # 1

Country	Egypt
Category	Governance
Key words	Dialogue; Strategy
Title	Dialogue with exporters on COVID-19 implications
Purpose	Discuss urgent measures to mitigate the negative effects of the COVID-19 outbreak on the performance of all sectors, especially in terms of production and exports.
Executing Agency	Ministry of Trade and Industry
Budget / Duration	Budget: N/A; Duration: March 2020
Underlying policy (200 words)	This action is linked to the Government's Industry and Trade Development Strategy, one of the goals of which is increase the growth of exports. The COVID-19 crisis was having a negative impact on the import of raw materials used in production of exported products (supply chain issues), while at the same time, the closure of many factories in European countries created an opportunity to increase Egyptian exports to these areas. The action is also linked to the policy directive of the Egyptian President to support economic and export sectors impacted by the COVID-19 crisis.
Target group	Exporting companies (through their Sector Export Councils)
Short description	The Minister of Trade and Industry held a series of meetings with sector representatives and Export Councils to discuss the points of an urgent action plan to cushion the effects of the COVID-19 global crisis on the industry and trade sectors, focusing on strategies for increasing the demand for Egyptian products in local or foreign markets, and supporting exports in European markets. Outcomes of these consultations: Export Councils called for an aggressive short-term programme to stimulate exports. As an outcome, the Ministry agreed to work with Egyptian producers to ensure availability of raw materials, especially imports, and the regularity of supply chains to prevent any production stoppages. The Egyptian Commercial Service and its offices abroad will boost communication between Egyptian producers/exporters and their counterparts abroad to compensate for the difficulty of international travel and movement.
Key highlights (200 words)	Major industry sectors in Egypt have established Export Councils to provide a link between private sector exporters and the Government (e.g. Food Export Council, Leather Export Council, etc. - 13 in all). The presence of these Export Councils, which are responsible for developing exports in their sectors, provides a ready forum for the Ministry of Trade and Industry to consult with the exporting community on policy initiatives and incentive programmes. This expedited consultations with exporters on the issue of responses to the COVID-19 crisis.
Tools	N/A
Source	"Trade Minister meets exporters to discuss implications of Coronavirus outbreak, Government prepares urgent incentives to maintain production, export growth", <i>Daily News Egypt</i> , 18 March 2020, https://www.dailynewssegypt.com/2020/03/18/trade-minister-meets-exporters-to-discuss-implications-of-coronavirus-outbreak/

COVID-19 Response Action Sheet # 2

Country	Egypt
Category	Reforms and business support
Key words	Working capital / operations
Title	Export Development Fund - immediate release of export support arrears to exporters
Purpose	Help alleviate the working capital challenges of exporting companies so they can maximise their productive capabilities and maintain jobs, especially during the COVID-19 outbreak.
Executing Agency	Export Development Fund (EDF), under Ministry of Trade and Industry
Budget / Duration	Budget: Payment of EGP 1 billion of export support arrears; Duration: March-June 2020
Underlying policy (200 words)	The offer of export support as an incentive to exporting companies through the Export Development Fund programme) has been in place since 2012 - governed by the Law on Export Development Fund and with linkages to the State Economic Development Programme. The policy initiative to expedite the payment of arrears owing to exporters is in line with the presidential mandate to ensure export companies have enough liquidity, especially during the novel coronavirus (COVID-19) crisis.
Target group	Exporting companies in 13 sectors; SME exporters are one of the target groups.
Short description	The Export Fund is an incentive for Egyptian companies to push exports. Between 1% to 10% of the total value of a company's exports can be claimed from the EDF within one year of the product's export date provided the company is a member of its sector Export Council and provides the required documentation. However, processing the claim could take several months to well over a year, and the Fund is always operating with arrears payable to exporters. To help alleviate the working capital challenges of exporters due to COVID-19, the Ministry of Finance instructed the immediate pay out of EGP 1 billion in arrears during March and April 2020, plus 10% in cash payments to exporters during June 2020. This expedited payment of the arrears aims to provide liquidity, boost exports, and retain workers of exporting companies, especially during the COVID-19 outbreak.
Key highlights (200 words)	This export incentive programme to encourage exports has some characteristics unique to Egypt. Committing to clearing out the payment to exporters of arrears owing on previous claims was an obvious policy action to support the liquidity of exporters. More than EGP 2 billion of export arrears was disbursed in April and May 2020, and more than EGP 1 billion in June, impacting on the cash flow of over 2,000 exporters.
Tools	N/A
Source	General information on the export incentive programme at: https://www.globaltradealert.org/intervention/72178/other-export-incentive/egypt-a-new-program-to-refund-export-burdens-for-the-fiscal-year-2019-2020-approved/ .

COVID-19 Response Action Sheet # 3

Country	Egypt
Category	Reforms and business support
Key words	Administrative simplification
Title	Facilitate export procedures
Purpose	Remove administrative barriers to export activity to expedite export activity during COVID-19 pandemic.
Executing Agency	Ministry of Trade and Industry (Foreign Trade Sector)
Budget / Duration	Budget: N/A; Duration: Starting date 25/03/2020
Underlying policy (200 words)	
Target group	Exporting companies
Short description	Administrative processes were simplified for exporters by allowing documents, such as commercial invoices, to be accepted without being accredited by the Chambers of Commerce (which is usually a requirement), and allowing Certificates of Origin to be accepted without authorisation from the Egyptian Embassy abroad.
Key highlights (200 words)	This action sought to facilitate the continuation of export activity in spite of many offices being closed due to the COVID-19 pandemic, as well as social distancing requirements (reducing person-to-person paper transactions, etc. Such actions implemented out of necessity, have the potential to lead to a re-think of the procedural and transactional requirements in the post-COVID-19 period.
Tools	N/A
Source	This action was referenced in the OECD summary of COVID-19 responses.

Endnotes:

- ¹ 2019 figures from World Development Indicators (WDI) 2020 database updated 16 December 2020.
- ² MTI (Ministry of Trade and Industry), "Egypt's trade deficit narrows 17 pct, exports top \$25bln bar", 19 January 2021, [http://www.mti.gov.eg/English/MediaCenter/News/Pages/Egypt%E2%80%99s-trade-deficit-narrows-17-pct,-exports-top-\\$25bln-bar.aspx/](http://www.mti.gov.eg/English/MediaCenter/News/Pages/Egypt%E2%80%99s-trade-deficit-narrows-17-pct,-exports-top-$25bln-bar.aspx/).
- ³ Eurostat data on extra-EU trade in goods, 2019 and 2020 (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Extra-EU_trade_in_goods).
- ⁴ Early in the pandemic, almost 80% of export orders in the garment and clothing industry were canceled, with estimated losses reaching USD 800 million by the second quarter of 2020 [Elnaggar, Y. (2020), "Egypt and Covid-19: The Day After Yasser", in Mabrouk, M. (ed.), *Rethinking Egypt's Economy*, October, Middle East Institute, p. 32, <https://www.mei.edu/sites/default/files/2020-10/Rethinking%20Egypt%27s%20Economy.pdf/>].
- ⁵ MTI, "Year in Review: 2020 achievements in trade, industry", 30 December, Cairo, <http://www.mti.gov.eg/English/MediaCenter/News/Pages/Year-in-Review--2020-achievements-in-trade,-industry.aspx/>.
- ⁶ MTI, "Egypt's trade deficit narrows 17 pct, exports top \$25bln bar", 19 January 2021 (*op.cit.*).
- ⁷ MTI, "Egypt's trade deficit narrows 17 pct, exports top \$25bln bar", 19 January 2021 (*op.cit.*).
- ⁸ In 2019, Egyptian exports to the USA totaled USD 3.3 billion, more than double the value in 2016, with significant export opportunities arising from the Generalised System of Preferences (GSP) with the USA (which eliminates duties on thousands of imported products from beneficiary countries, including Egypt). The major exported products to the USA include apparel and textiles, natural gas and oil, fertilizers, and agricultural products (of which apparel and textiles – USD 1.13 billion - accounted for half of Egypt's non-fuel exports). Source: "Egypt - Country Commercial Guide", 15 September 2020, International Trade Administration (ITA), U.S. Department of Commerce, Washington, DC, <https://www.trade.gov/knowledge-product/egypt-market-overview/>. Egypt also benefits from the U.S.-Egypt Qualifying Industrial Zone (QIZ) agreement, whereby the USA waives duties on imports if the value includes 10.5% Israeli content. In 2019, QIZ exports to the USA totaled USD 1.1 billion.
- ⁹ MTI, "Egypt's trade deficit narrows 17 pct, exports top \$25bln bar", 19 January 2021 (*op.cit.*).
- ¹⁰ MTI, "Egypt's trade deficit narrows 17 pct, exports top \$25bln bar", 19 January 2021 (*op.cit.*).
- ¹¹ Riera, O., and P. Paetzold (2020), "Global Value Chains Diagnostic – Country Deep Dive Egypt", July, European Bank for Reconstruction and Development (EBRD), London, UK, <https://www.ebrd.com/what-we-do/economic-research-and-data/cse-economists/global-value-chains-and-trade-in-ebd-regions.html/>.
- ¹² Central Bank of Egypt (CBE) Monthly Statistical Bulletin on external sector, Table 24, "Exports by geographical distribution FY 2019-2020", <https://www.cbe.org.eg/en/EconomicResearch/Publications/Pages/MonthlyStatisticalBulletin.aspx/>.
- ¹³ Youssef, H., and C. Zaki (2019), "From Currency Depreciation to Trade Reform: How to Take Egyptian Exports to New Levels?", Policy Research Working Paper 8809, Macroeconomics, Trade and Investment Global Practice, World Bank, Washington, DC, p. 14, <http://documents1.worldbank.org/curated/en/539431554812683933/pdf/From-Currency-Depreciation-to-Trade-Reform-How-to-Take-Egyptian-Exports-to-New-Levels.pdf/>.
- ¹⁴ "Egypt: 2019 intra-Africa trade and tariff profile", Trade Law Centre (Tralac), South Africa, <https://www.tralac.org/resources/infographic/14793-egypt-2019-intra-africa-trade-and-tariff-profile.html#:~:text=In%202019%2C%20only%2016%25%20of,0.02%25%20and%205%25%20/>.
- ¹⁵ Author's calculations from data reported in Central Bank of Egypt (CBE) Monthly Statistical Bulletin on external sector, Table 22 - "Proceeds of Merchandise Exports by Degree of Processing", FY 2019/2020 (provisional), <https://www.cbe.org.eg/en/EconomicResearch/Publications/Pages/MonthlyStatisticalBulletin.aspx/>.
- ¹⁶ MTI (2016), *Industry and Trade Development Strategy 2016-2020*, Ministry of Trade and Industry, Cairo, p. 49.
- ¹⁷ World Bank (2020), "Economy Profile of Egypt, Arab Rep. Doing Business 2020", Washington, DC, pp. 48-51.
- ¹⁹ The aim of the WTO Trade Facilitation Agreement (TFA) is to speed up the movement, release and clearance of goods at the border and to seek cooperation among customs and relevant authorities on trade facilitation and customs compliance issues.
- ²⁰ A four year, USD 2.975 million, project running from September 2018-September 2022.
- ²¹ Abdel-Latif, A. (2020), "The Silver Lining of COVID-19: Institutional Reform to the Rescue of the Egyptian Economy" in Mabrouk, M. (ed.), *Rethinking Egypt's Economy*, October, Middle East Institute, p. 45, <https://www.mei.edu/sites/default/files/2020-10/Rethinking%20Egypt%27s%20Economy.pdf/>.
- ²² Provided immediate duty-free access of Egyptian products into EU markets, and phased-in duty-free access for EU products into Egypt.
- ²³ Noted that US companies exporting from Egypt would have an edge entering the 19 COMESA countries; these products would enter duty free through Egypt, but if imported directly from the USA would be subject to general import duties of up to 15%.
- ²⁴ Under the MERCOSUR FTA, a full customs exemption was announced in September 2020 for 600 goods traded between Egypt and the South American trade bloc, including cement, citrus fruits, mineral oils, and natural gas.

²⁵ Egypt also signed the Egypt-UK Brexit Agreement in December 2020 which will provide tariff-free trade on industrial products, liberalisation of trade in agriculture, agri-foods and fisheries, making trade easier and delivering significant savings to businesses in both the UK and Egypt. Total trade on goods and services between the UK and Egypt in 2019 was worth GBP 3.5 billion (USD 4.7 billion). See: “Egypt-UK: Stabilising bilateral trade post Brexit”, 15 December 2020, *AhramOnline*, <http://english.ahram.org.eg/NewsContent/50/0/396939/Ahram-Weekly/0/EgyptUK-Stabilising-bilateral-trade-post-Brexit.aspx/>.

²⁶ Youssef, H., and C. Zaki (2019), “From Currency Depreciation to Trade Reform: How to Take Egyptian Exports to New Levels?”, World Bank, (*op.cit.*), p. 14.

²⁷ Helmy, O., N. Aboushady, and C. Zaki (2019), “The Impact of Egypt-EU Free Trade Agreement on Egypt’s Manufacturing Exports and Employment”, March, Friedrich-Ebert-Stiftung Egypt Office, Cairo, <http://library.fes.de/pdf-files/bueros/aegypten/15388.pdf/>. Many of these trade relations issues are subject to ongoing discussion by the EU-Egypt Sub-Committee on Industry, Trade, Services and Investment.

²⁸ See: African Trade Policy Centre, “African Continental Free Trade Area: Questions & Answers”, UN Economic Commission for Africa, https://au.int/sites/default/files/documents/36085-doc-qa_cfta_en_rev15march.pdf/.

²⁹ As defined by the OECD, GVC participation indicates the portion of a country’s exports that is part of a multi-stage trade process, by adding backward participation (the foreign value added used in a country’s own exports) and forward participation (the value added supplied to other countries’ exports). Forward participation captures the extent to which a given country’s exports are used by firms in partner countries as inputs into their own exports. Foreign value added (FVA) indicates what part of a country’s gross exports consists of inputs that have been produced in other countries. It is the share of the country’s exports that is not adding to its GDP. Domestic value added (DVA) is the part of exports created in-country, i.e. the part of exports that contributes to GDP. The sum of foreign and domestic value added equates to gross exports. See: OECD (2020), *OECD Investment Policy Reviews: Egypt 2020*, OECD Publishing, Paris, <https://doi.org/10.1787/9f9c589a-en>.

³⁰ Riera, O., and P. Paetzold (2020), “Global Value Chains Diagnostic – Country Deep Dive Egypt” (*op.cit.*). As a matter of definition, backward participation captures the demand side of value chains and is more closely linked to countries’ structural characteristics, such as its size and level of industrialisation. Forward participation captures the supply side of value chains and is strongly correlated to the exports of a country’s natural resources.

³¹ Riera, O., and P. Paetzold (2020), “Global Value Chains Diagnostic – Country Deep Dive Egypt” (*op.cit.*).

³² Riera, O., and P. Paetzold (2020), “Global Value Chains Diagnostic – Country Deep Dive Egypt” (*op.cit.*).

³³ Brookings Institution (2020), “The African Continental Free Trade Area and measures to facilitate trade could significantly mitigate COVID-19’s economic impact in Africa”, authored by N. Oulmane, M.S. Jallab, and P.R. Zidouemba, 22 May, <https://www.brookings.edu/blog/africa-in-focus/2020/05/22/the-african-continental-free-trade-area-and-measures-to-facilitate-trade-could-significantly-mitigate-covid-19s-economic-impact-in-africa/>.

³⁴ OECD (2020), *OECD Investment Policy Reviews: Egypt 2020*, OECD Publishing, Paris, <https://doi.org/10.1787/9f9c589a-en>.

³⁵ World Development Indicators 2020 database. Notably, about three-quarters of the FDI in Egypt is concentrated in the oil and gas industry, followed by real estate, manufacturing, financial services and construction.

³⁶ UNCTAD (2021), “Investment Trends Monitor”, Issue 38, January, <https://unctad.org/webflyer/global-investment-trend-monitor-no-38/>.

³⁷ “Egypt remains the top destination for FDI in Africa in 2020”, 2 February 2021, *African Markets*, <https://www.african-markets.com/en/news/north-africa/egypt/egypt-remains-the-top-destination-for-fdi-in-africa-in-2020/>.

³⁸ Foreign firms operating in these special zones are expected to be pure exporters; any of their products sold on the Egyptian market are subject to the payment of custom duties, making domestic sales unattractive.

³⁹ Riera, O., and P. Paetzold (2020), “Global Value Chains Diagnostic – Country Deep Dive Egypt” (*op.cit.*).

⁴⁰ The 13 Sector Export Councils, established by the MTI in cooperation with private sector, include: Food Industries; Medical Industries; Building Materials, Refractories & Metallurgy Industries; Ready Made Garments; Chemicals and Fertilizers; Egyptian Furniture; Engineering; Home Textiles; Agricultural Crops; Handicrafts; Leather Sector. Councils support the export activities of member firms through trade shows and trade missions, and by providing export opportunities and buyers’ lists, training and seminars, marketing studies, and individual consultancy.

⁴¹ “IMF reviews Egypt’s efforts to boost exports, set up industrial parks”, 19 March 2021, Ministry of Trade and Industry News, <http://www.mti.gov.eg/English/MediaCenter/News/Pages/IMF-reviews-Egypt%E2%80%99s-efforts-to-boost-exports-set-up-industrial-parks.aspx/>.

⁴² MTI (2016), *Industry and Trade Development Strategy 2016-2020*, Cairo.

⁴³ MTI (2017), “MSMEs and Entrepreneurship National Strategy and Operational Plan: Creating Opportunities of Economic Transformation”, Cairo, pp. 17-18. The other four policy themes: Legal and Regulatory (reducing the administrative burden and simplifying the regulatory environment for MSMEs), strengthening access to finance (including financing products diversification, and innovative tools), Entrepreneurship promotion (improving the entrepreneurial culture, including entrepreneurship education), and Business development services (improving access to BDS, including access to market information, and labour skills development). Cross-cutting themes of women’s entrepreneurship, technology and innovation, and environment are to be mainstreamed/embedded in the actions of each policy pillar.

⁴⁴ Digital Egypt is composed of three pillars: Digital transformation, Digital skills and jobs, and Digital innovation, built on the foundations of Digital infrastructure and Legislative framework (e.g. cybercrime, intellectual property, consumer protection, e-signatures, data protection, e-commerce laws, either already enacted or in the process).

⁴⁵ African Union, *The Digital Transformation Strategy for Africa (2020-2030)*, <https://www.tralac.org/documents/resources/african-union/3013-the-digital-transformation-strategy-for-africa-2020-2030/file.html>. One of the proposed initiatives of the AU Commission is to create an online portal for African entrepreneurs, start-ups and SMEs business to facilitate the marketing of their services and skills and to encourage AU member states to source services from the portal database in order to support Intra-Africa trade, in line with the AfCFTA. The COMESA BizNet online platform, a portal for businesses seeking information about the industries in which they work in different African countries, also benefits Egyptian firms in creating business linkages, as well as serving to increase intra-regional investments, small-scale cross border imports and exports, and local sourcing by buyers.

⁴⁶ "GAFI chief discusses Amazon plans for expansion in Egypt", 12 August 2020, *Egypt Today*, <https://www.egypttoday.com/Article/3/90708/GAFI-chief-discusses-Amazon-plans-for-expansion-in-Egypt/>.

⁴⁷ "Amazon plans to manufacture more of its products in Egypt", 30 September 2020, *Egypt Independent*, <https://egyptindependent.com/amazon-plans-to-manufacture-more-of-its-products-in-egypt/>.

⁴⁸ The EDA Green Trade Initiative (<https://eda-gti.org/about-us/>) focuses on eight horticulture products: Tomato, Artichoke, Grapes, Lettuce, Bell-pepper, Strawberries, Green beans and Pomegranate.

⁴⁹ <https://ebrdgeff.com/egypt-gvc/the-programme/the-facility>; <https://www.ebrd.com/work-with-us/projects/psd/qnb-alahli-geff-egypt-gcf-geff-value-chain.html>.

⁵⁰ Grumiller, J., W.G. Raza, and H. Grohs (2020), "Strategies for sustainable upgrading of global value chains: The Egyptian textile and apparel sector", ÖFSE Policy Note, No. 33/2020, Austrian Foundation for Development Research (ÖFSE), Vienna, <https://www.oefse.at/en/publikationen/detail/publication/show/Publication/egyptian-textile-and-apparel-sector/>. This report confirms that in 2018, the EU (35% of Egypt's textile and apparel exports) (and the USA, almost half of Egypt's textile and apparel exports) were the most important export markets for Egypt's textiles and apparel sector (a sector comprising an important pillar of Egypt's Vision 2030 Strategy). To take advantage of recent EU value chain dynamics and market trends vis-à-vis sustainability in the textiles and apparel sector, Grumiller et al. (2020) recommend restructuring the industry towards more sustainable production (e.g. more efficient use of water and land resources), use of organic and sustainable cotton production (e.g. establishing an organic value chain and using organic fabrics for end products), improving sustainability in textile production (e.g. wastewater and dyeing practices, certification under various sustainability standards), and improving innovation capacities and access to finance for investment in the necessary transformations (pp. 3-4). A deeper analysis of the value chain challenges and opportunities for Egyptian textiles and apparel producers to access EU markets can be found in Austrian Foundation for Development Research (2020), "Value Chain Analysis for Apparel from Egypt", Vienna.

⁵¹ "Egypt invests US\$600m on becoming intra-African trade hub", 18 December 2020, *CTMfile*, <https://ctmfile.com/story/egypt-invests-us600m-on-becoming-intra-african-trade-hub/>. The new export risk company will complement service offerings of the African Export-Import Bank (Afreximbank), which in the past few years has provided about USD 7.5 billion in support of Egypt-Africa trade and contract financing, and will share risks with the new Egyptian export credit risk company.

⁵² Ministry of Finance, Press release announcing the decision by the Minister of Finance for new facilities for those dealing with customs to stimulate investment and increase the competitiveness of our products in foreign markets, 2 June 2020, <http://www.mof.gov.eg/Arabic/MOFNews/Media/Pages/release2-6-2020.aspx/>.

⁵³ "Egypt to settle 85% of export subsidy arrears early November: Maait", 24 October 2020, *Daily News Egypt*, <https://dailynewsegypt.com/2020/10/24/egypt-to-settle-85-of-export-subsidy-arrears-early-november-maait/>.

⁵⁴ "Paying export arrears: Egypt's govt aims to boost sector", 30 October 2020, *AhramOnline*, <http://english.ahram.org.eg/NewsContent/50/1202/389406/AIahram-Weekly/Economy/Paying-export-arrears-Egypt%E2%80%99s-govt-aims-to-boost-s.aspx/>.

⁵⁵ "Egypt's Banque Misr, Commercial Service join forces to boost exports », 22 December 2020, *Daily News Egypt*, <https://dailynewsegypt.com/2020/12/22/egypts-banque-misr-commercial-service-join-forces-to-boost-exports/>.

⁵⁶ From 2010-2019, 185 Egyptian firms (over 90% SMEs) were provided with EGP 350 million of export incentives from the Export IT programme and produced EGP 7 billion in export revenue [MCIT, 2020, MCIT Yearbook 2019, p. 204, https://mcit.gov.eg/Upcont/Documents/Publications_1532020000_Yearbook2019.pdf/].

⁵⁷ "Egypt offers extra stimulus package for IT exporters", 18 January 2021, *Daily News Egypt*, <https://dailynewsegypt.com/2021/01/18/egypt-offers-extra-stimulus-package-for-it-exporters/>.

⁵⁸ Eligible companies exporting ICT services, IT-enabled services (e.g. call centres, IT-related consulting and training) are offered direct cash incentives; additional incentives are offered to companies exporting e-commerce, e-gaming, e-health, and e-design services, with further incentives to IT companies operating in the new tech parks.

⁵⁹ "Egypt launches digital transformation initiative for SMEs", 20 July 2020, *Egypt today*, <https://www.egypttoday.com/Article/3/89880/Egypt-launches-digital-transformation-initiative-for-SMEs#:~:text=CAIRO%20%E2%80%93%20July%202020%3A%20Egypt's,cope%20with%20the%20digital%20transformation/>. An arm of the MCIT, the ITIDA also offers capacity building of Egyptian IT companies to develop their skills in serving multinational IT companies (vertical integration implications). See: <https://itida.gov.eg/English/Programs/Export-IT%20Rebate%20Program%202017/Pages/default.aspx/>.

- ⁶⁰ <https://np.eg/en/startup-scene-nilepreneurs-help-smes-go-digital/>; <https://www.csregypt.com/en/nilepreneurs-spearheads-initiative-to-help-smes-join-e-commerce/>; <https://np.eg/compete/training-centers/export-excellence/>.
- ⁶¹ “EBRD, EU and partners boost green finance in Egypt”, 10 November 2020, *Egypt today*, <https://www.egypttoday.com/Article/3/94097/EBRD-EU-and-partners-boost-green-finance-in-Egypt/>. Loans to SMEs cover investments in best available technologies, such as energy and resource-efficient production machinery, renewable energy applications, agricultural irrigation and rainwater harvesting equipment, etc. Clients can identify climate-friendly technologies with the help of the Green Technology Selector.
- ⁶² Youssef, H., and C. Zaki (2019), “From Currency Depreciation to Trade Reform: How to Take Egyptian Exports to New Levels?”, World Bank (*op.cit.*).
- ⁶³ These objectives and proposed activities with respect to Egypt’s quality infrastructure were put forward by the IMC as areas for cooperation in the new EuroMed Industrial Cooperation Work Programme 2021 (under chapter 3: “Establishing a large pan-Euro-Mediterranean market for industrial products”).
- ⁶⁴ MICT (2020), “ICT Indicators Bulletin, June, Quarterly Issue”, Cairo, based on CAPMAS surveys, https://micit.gov.eg/Upcont/Documents/Publications_16112020000 ICT_Indicators_Quarterly_Bulletin_Q2_2020.pdf/. The Bulletin results are not disaggregated by sector.
- ⁶⁵ Youssef, H., and C. Zaki (2019), “From Currency Depreciation to Trade Reform: How to Take Egyptian Exports to New Levels?”, World Bank (*op.cit.*).
- ⁶⁶ COMESA Secretariat (2020), “Adoption of ICT is Critical in Post Covid-19 Trade Facilitation Programmes in COMESA Region”, July, COMESA, Zambia, <https://www.tralac.org/documents/resources/covid-19/regional/3867-adoption-of-ict-is-critical-in-post-covid-19-trade-facilitation-programmes-in-comesa-region-special-report-july-2020/file.html/>.
- ⁶⁷ UNIDO (2020), “Roadmap for Improving PPE Production in Egypt”, UNIDO National Office, Cairo.
- ⁶⁸ See: European Commission (2019), “The European Green Deal”, https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF/; European Commission (2020), “Circular Economy Action Plan: for a cleaner and more competitive Europe”, https://ec.europa.eu/environment/circular-economy/pdf/new_circular_economy_action_plan.pdf/; European Commission (2020), “A new Industrial Strategy for a globally competitive, green and digital Europe”, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_416/; European Commission (2020), “An SME Strategy for a sustainable and digital Europe”, https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf/.
- ⁶⁹ For example, by implementing strategies to reduce waste, use of new recycling technologies, production of secondary raw materials from waste and reuse in the production process, etc., depending on the industry sector.
- ⁷⁰ MTI, “The meetings discussed the EU’s Green Deal and its potential implications on Egyptian exports to the bloc’s markets”, Cairo, 26 November 2020, <http://www.mti.gov.eg/English/MediaCenter/News/Pages/MTI-hosts-meetings-of-governmental-trade-environment-committee-.aspx/>.
- ⁷¹ UNCTAD (2020), *COVID-19 and E-Commerce: Impact on business and policy responses*, United Nations, Geneva, https://unctad.org/system/files/official-document/dtlstict2020d12_en.pdf/.
- ⁷² UNCTAD (2020), *Impact of the COVID-19 Pandemic on Trade and Development: Transitioning to a New Normal*, United Nations, Geneva, p. 83, https://unctad.org/system/files/official-document/osg2020d1_en.pdf/.
- ⁷³ “Egypt’s Banque Misr, Commercial Service join forces to boost exports”, 22 December 2020, *Daily News Egypt*, <https://dailynewsegypt.com/2020/12/22/egypts-banque-misr-commercial-service-join-forces-to-boost-exports/>.
- ⁷⁴ “Egypt to implement Arab Africa Trade Bridge programme in December”, 13 December 2020, *MENAFN*, <https://menafn.com/1101273824/Egypt-to-implement-Arab-Africa-Trade-Bridge-programme-in-December/>.
- ⁷⁵ “EBRD extends further USD 100 mn for trade facilitation in Egypt”, 13 August 2020, <https://enterprise.press/stories/2020/08/13/ebird-extends-further-usd-100-mn-for-trade-facilitation-in-egypt-20290/>.
- ⁷⁶ “Sweden, ITC announce programme to support textile and clothing exports from four Arab states” ITC News Press Release, 22 October 2018, <https://www.intracen.org/Sweden-ITC-announce-programme-to-support-textile-and-clothing-exports-from-four-Arab-states/>.
- ⁷⁷ <https://www.usaid.gov/egypt/economic-growth-and-trade/strengthening-entrepreneurship-and-enterprise-development/>.