PROJECT FICHE

RELATING TO THE INSTITUTIONAL

STRENGTHENING OF THE GENERAL AUTHORITY FOR

INVESTMENT AND FREE ZONES (GAFI)

IN EGYPT

under the

Support to the EU – Egypt Association Agreement Programme [SAAP]
1. BASIC INFORMATION

1.1 Programme: Support to the EU-Egypt Association Agreement Programme

1.2 Number: EG05/AA/FI/04

1.3 Title: Institutional strengthening of the General Authority for Investment and Free Zones (GAFI) in Egypt

1.4 Sector: Investment.

1.5 Beneficiary Country: Arab Republic of Egypt.

2. OBJECTIVES

2.1 General Objective:
The overall objective of the project is to contribute to the achievement of higher rates of growth and increased inflows of capital, expertise and technology through the strengthening of national policy and institutional framework for investment promotion in Egypt.

2.2 Project Purpose:
To support GAFI in its process of change from being primarily a regulatory and controlling organisation to one that is customer-focused and pro-active in attracting investment through the application of best practices of European Investment Promotion Agencies. This purpose will be achieved through:

- reform of laws, rules and regulations governing high investment potential economic sectors in line with EU best practice;
- strengthening GAFI's strategic planning capacity;
- strengthening GAFI's capacity to promote investment, simplify investors' exit routes as well as resolve disputes;
- reforming GAFI's management practices in line with EU best practices.

2.3 Contribution to National Development Plan / Association Agreement / Action Plan:
The project will contribute to the creation of an enabling environment for competitively attracting, establishing and embedding investment. The project supports the provisions of Article 46 of the EU-Egypt Association Agreement, under which priorities for co-operation shall include the following:

- providing information on European investment regimes;
- making the legislative and regulatory framework conducive to investment;
- establishing mechanisms for encouraging and promoting investments such as the elaboration of appropriate means of identifying investment opportunities and information channels on European investment regulations.

It is also in line with article 32 of the Association Agreement which provides for the support of the free circulation of capital for direct investments and the liquidation or repatriation of these investments and of any profit stemming there from. Egypt will benefit from a stronger, more market-focussed Investment Promotion Agency (IPA) able to attract investment into Egypt and compete on an equal footing with the best IPA’s in the world. This will lead to increased investment flows, additional employment and economic growth.
3. DESCRIPTION

3.1 Background and Justification

3.1.1 General Background

The market for Foreign Direct Investment (FDI) is truly global with over 400 active national and sub-national Investment Promotion Agencies competing for business. In this context, the Government of Egypt has decided to position itself as a winning third-generation participant.

However, as stated by the World Bank, “Attracting FDI will require a shift in mindset for most developing country Governments” (World Bank – Public Policy for the Private Sector - 2004), this in essence means that most developing economies have to abandon past mindsets and move to a different understanding – to transform rather than change. Indeed change is relevant where there is confidence in the underlying model and an understanding that, with change, an organization can serve future needs and achieve its mission successfully. If the underlying model is not correct, then transformation is required and a paradigm shift in thinking is necessary.

It is encouraging to note that recent policy changes introduced by the Government have indeed produced positive results in terms of increased FDI. However, for Egypt to become a high ranking competitor on the FDI world stage, a change in approach that takes into consideration the following issues is required:

- Egypt cannot achieve the levels of economic growth and sustainability it requires without much higher levels of exogenous investment into the productive sectors of the economy;
- Egypt must create an enabling environment within which it can competitively attract, establish and embed such investment;
- Egypt’s inducement to international investors must be clear, competitive and incorporate elements of comparative advantage;
- the General Authority for Investment and Free Zones - GAFI, as the institution charged with promoting FDI, must be resourced for its mission in terms of staff, skills and organisational capacity.

3.1.2 Background about GAFI

GAFI was established in the late 1970’s, but without a clear mandate. Over time it acquired the role of setting up and operating tax free zones established in different locations in Egypt. After the adoption of the Investment Law 8, GAFI was given the power to grant a tax holiday period for projects in some geographical parts of Egypt. In the late 90s, the Government added to GAFI’s mandate the function of investment promotion. However, despite having the power and responsibility to undertake promotional activities, there was very little actual investment promotion undertaken and those that were carried out were mostly ineffective.

In July 2004, a new Ministry of Investment was created with a wide range of responsibilities including supervision of GAFI, the Egypt Privatization Programme, the Insurance sector, the Mortgage Finance Sector and the Egyptian Stock Market. The Ministry appointed a new management to GAFI, charged with restructuring the organisation and responsible for investment facilitation and policy advocacy for increasing investment flows. It has also been given a clear mandate from the Cabinet to act as a catalyst in partnerships with all Ministries to promote local and foreign investments in all sectors of the economy. It is important to note that, in addition to its one-stop-shops, GAFI opened a number of regional offices that aim at promoting regional investment. Results achieved so far have been most positive. FDI increased more than three-fold in a year to reach $1.3 billion in 2005 in green-field and privatisation projects, in addition to the $2.6 billion investment in the oil and gas sectors. These figures exclude all FDI investments in real estate.

Under the leadership of a new Chairman, GAFI has started a dynamic and comprehensive restructuring process. However, clarity of mandate remains the key issue. GAFI’s mandate still encompasses many regulatory functions, e.g. company registration and regulation. This combination of regulatory and promotion functions in one agency is challenging.
3.2 Linked Activities

There are a number of international agencies providing assistance to GAFI. While a number of these projects will have been concluded by the time the Twinning project commences, their existence and progress should be factored into the planning and implementation of the Twinning project.

3.2.1 Multilateral Investment Guarantee Agency (MIGA)

MIGA, in Cooperation with GAFI, is undertaking a technical assistance programme focusing on the design, creation and implementation of an investment promotion unit within GAFI, capable of competing internationally for FDI while keeping with Egypt's economic development policy objectives and priorities. The total number of employees in this new unit will be a mix of around 60 staff coming both from the Government and private sector. The MIGA project will be concluded and the investment promotion unit will be operational by the time the Twinning project commences.

MIGA’s technical assistance activities which will end by December 2006 include:

- development of GAFI’s overall investment promotion strategy and promotion structure;
- development of a detailed institutional business plan for GAFI;
- development of sub-sectoral strategies in cooperation with specialised FDI consulting firms;
- development and implementation of a market intelligence and investor-targeting unit;
- implementation of an investor facilitation program along with CRM implementation;
- development of promotion materials;
- training on sales techniques and proactive promotional campaigns;
- implementation of a mentoring and follow-up program through missions that will visit Egypt every quarter to assess progress in implementing the program; these missions will start in 2007, after the completion of the technical assistance program at the end of 2006.

MIGA’s activities, from the beginning of 2007, are missions-based activities whereby a mission from MIGA travels to Egypt once every couple of months to monitor and report on the above mentioned technical assistance activities, while the twinning program staff will work on a day to day basis with GAFI for the whole period of the twinning helping them to improve their day to day operations and implement a professional investment promotion program.

3.2.2 European Union ANIMA Program

The ANIMA program, a 63.5 months project funded by the European Union, is part of the MEDA co-operation program between the European Union and 10 partner states to the South and East of the Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey). It started in March 2000 and should end on 30 June 2007. It is envisaged that the program might be extended to 2010 with a different implementation structure.

The programme aims at improving the capacity and effectiveness of the investment promotion agencies in order to enable them to increase foreign direct investment in the Mediterranean through:

- developing co-operation between European and Mediterranean IPA’s;
- promoting the Mediterranean region as a whole;
- building a network linking EU and Mediterranean IPAs;
- training, transfer of knowledge, and exchange of experience (capacity building);
- economic intelligence, project identification, contacts (networking);
- data bases, comparisons, regional studies (benchmarking).

The network is led by a consortium made of Agence Francaise Pour les Investissements Internationaux, the External Trade Institute (Italy) and the Direction des Investissements of Morocco.

Close coordination should be ensured both with the team leader in charge of ANIMA and the Egyptian intermediary for ANIMA at GAFI, Mr. Hazem Elwissimy, Advisor to the Chairman on strategy, promotion, and international co-operation.
3.2.3 United States AID (USAID)
USAID is financing a project worth $125 million to assist the government of Egypt in its economic reforms efforts. This program collaborates with the Ministry of Finance, Ministry of Education, Ministry of Industry, Ministry of Justice, Central Bank of Egypt, and the Ministry of Investment.

The program is being implemented by Bearing Point on behalf of the USAID. GAFI is currently discussing with the project management future cooperation activities on improving Egypt's special economic zones. In addition, another USAID program will work with GAFI on improving the leasing sector, which is also regulated by GAFI.

3.2.4 United Nations International Development Agency (UNIDO)
UNIDO had a program located at GAFI premises for the past four years, focused on providing credit lines to SME's for the purchase of machines. This program has recently ended, and UNIDO is currently in the final phase of designing a program to help GAFI on improving linkages and on providing technical assistance for upgrading SMEs.

3.2.5 UNCTAD
UNCTAD conducted an investment policy review for Egypt in 1999. Following the review, in 2006 UNCTAD published a follow-up report on the implementation of their 1999 recommendations. UNCTAD is currently providing GAFI with technical assistance on improving its capacity in the area of negotiating and concluding bilateral investment agreements.

3.2.6 OECD
Egypt is the co-chair with the UK of the OECD / MENA regional investment policy initiative directed towards improving the investment climate across all countries in the region.

3.2.7 COMESA
GAFI hosts at its premises the COMESA regional investment promotion unit which is mandated to promote investment between its 18 African member nations.

3.2.8 WAIPA
Egypt is the regional director for Africa on the steering committee of WAIPA.

3.2.9 World Bank
Following a request from the Egyptian government, the World Bank has recently completed a detailed investment climate assessment of Egypt with clear recommendations on how to improve the investment climate. These recommendations are currently being implemented by GAFI, the Ministry of Investment, other government ministries and public organisations. In addition, IFC has recently concluded with GAFI an improvement strategy for Egypt public tax free zones.

3.2.10 European Union Trade Enhancement Program (TEP)
This program aims at improving the performance of the Egyptian commercial representative offices abroad in order to allow them efficiently promote trade and investment and to become an essential part in the Egyptian investment promotion strategy. The beneficiary of this program is the Ministry of Foreign Trade and industry which has the Egyptian commercial representative offices abroad under its control. However, these offices also report to the Ministry of Investment on their investment promotion efforts, and GAFI has established within its newly created promotion unit a department that acts as a counterpart to these offices. While there is an agreed working relationship established, it needs to be improved.

3.2.11 Other Additional Activities
As part of its reform plan, GAFI appointed in July 2005, on a commercial basis, the international communications and public relations company Fleishman-Hillard to provide public relations, media services, and image building activities with a particular focus on the international FDI market. This service also extends to assisting in the organisation of some international promotional events.
3.3 Results:
The General Authority for Investment and Free Zones– GAFI:
• is a recognized IPA, with a clear strategy for reforming laws, rules and regulations in priority sectors with high FDI potential,
• is well connected to its external and internal stakeholders and run according to best managerial standards,
• EU standards approximation is under way in several sectors of high FDI potential,
• Has a demonstrated capacity to stimulate re-investments and facilitate smooth exits,
• expertise and operational capability to assist in solving investment and commercial disputes substantially reinforced
• is able to welcome, inform and support investors in their moves to build on Egypt's well-advertised comparative advantage, as well as to accompany these moves up to their fruition and even beyond.
• is a result-oriented, efficiently managed and financially viable going-concern, rewarding staff performance and constantly upgrading management tools and human resources skills.

3.4 Activities:
The project seeks to support GAFI in modernising its structure and systems by introducing, applying and adapting best practices of European Investment Promotion Agencies, particularly in areas related to policy and regulatory reforms, investment analysis and investment promotion mechanisms. Achieving these objectives entails transforming the organisation into a modern, progressive and proactive investment promotion agency. Implementing a change-management framework, as well as reformulating strategies in line with EU best practice, becomes paramount. It therefore follows that in order to promote the exchange of information and know-how several study tours will be organized to the MS in the fields of:
- Investment Promotion
- the Commercial Arbitration and Dispute Settlement
- Policy Advocacy and Research

Component 1: Strategic planning, sectoral analysis and regulatory reform
1.1Train GAFI staff in the skills of researching, analysing and writing policy papers containing clear recommendations for action for submission to the Ministry of Investment.
1.2 Benchmark Egypt against key competitor countries in the areas of business environment and use data to drive further research in selected areas to determine required policy changes;
1.3 Conduct a detailed analysis of several economic sectors such as the following, complete with clear recommendations on which sectors offer Egypt a competitive advantage.
- Electric and Electronic Industry
- Food Processing Industry
- Textiles and Leather Industry
- Construction Materials Industry
- Plastic Industry
- Auto-components and Cars Industry
- Commercial Vehicles Industry
- Machinery and Equipment
- Pharmaceuticals Industry
- Medical Devices Industry
- Pressure Equipment
- Logistics and Distribution
- Business Process Outsourcing
1.4 Establish an ongoing process of reviewing public policy to assess its impact on Egypt's attractiveness for target sectors;
1.5 Prepare a revised strategy development process and put in place formal and informal systems (sector review meetings, business association groups etc) for capturing inputs from national and foreign stakeholders interested in improving the investment climate, allowing GAFI to clearly articulate (with real examples) areas requiring public sector policy change. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.
1.6 Investigate existing procedures and introduce reforms with the aim of facilitating investors’ exits from Egypt according to EU best practice.

1.7 Reinforce the dispute settlement and commercial arbitration function of GAFI by developing procedures and instruments for providing customized counselling and dispute settlement services to investors in line with European best practice. This will involve:

- reinforce the knowledge and operating modalities of GAFI’s services on mediation, consultation and arbitration options available in local and international legal systems on business-to-business and business-to-state investment-related disputes;
- establish a mapping of and the recourse options to all dispute settlement schemes of a state-to-state nature under multilateral rules, bilateral investment treaties and dispute settlement protocols, which could usefully support resolution of private commercial and investment disputes;
- establish internal procedures for counselling investors/businesses on given typologies of commercial disputes and means of recourse, including with the state administration Training counterpart staff as appropriate.

1.8 Agree with the Ministry of Investment on the key areas that will be addressed by GAFI in determining new policies.

1.9 Based on the outputs of activity 1.1, 1.2 and 1.3, analyze the level of compliance of the identified high priority sectors sub-sectors and offer recommendations on measures to be adopted, and on their optimal sequence of implementation, in order to put in place systems ensuring conformity of these sub-sectors with EU regulations.

1.10 Lobby for and coordinate with other stakeholders, the alignment of laws, rules and regulations governing them to EU best practice.

1.11 Establishment of a monitoring and evaluation system by which progress in introducing the identified reforms (according to EU acquis) in the selected sub-sectors can be observed and analysed;

Component 2: Investment promotion and international marketing

2.1 Re-formulate and implement the investment promotion strategy and action plan in line with the outputs of activities implemented under component 1.

2.2 Determining the requirements of specific marketing programmes and identifying niche areas of opportunity for Egypt and provide information to be used in marketing campaigns;

2.3 Developing mechanisms to identify specific companies for targeted marketing as well as assist GAFI in designing a business/customer data base. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.

2.4 Assisting in the design of investment promotion campaigns in key target markets and assist in the production of marketing aids e.g. brochures, presentation documents, CD’s etc;

2.5 Select suitable locations for overseas representation as well as assist in process of establishing GAFI’s overseas office network including site selection, staffing, office procedures, record keeping reporting channels etc;

2.6 Develop an effective domestic regional outreach program to assist both domestic and foreign investors.

2.7 Design and implement best-practice systems to ensure the efficient exchange of information between the overseas offices, regional offices and GAFI Head Office in Cairo. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.

2.8 Train GAFI personnel (including the organization of study tours to the twinning partner’s organization) on skills required to target, build and maintain relations with existing and potential investors as well as to design and manage professional investment promotion and marketing programmes.

Component 3: Management Reform and Development

3.1 Introduce best practice IPA management operational procedures into GAFI to ensure the effective operation of the investment promotion function including the development of manuals for the investment promotion and selected regulatory function staff within GAFI e.g. Client Charter, response times.
3.2 Design and implement project management methodology which will ensure the effective implementation of the new procedures in GAFI. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.

3.3 Develop a staff-incentive programme based on performance and personal contribution to increased investment flows.

3.4 Train project managers and develop project management and facilitation capability throughout GAFI.

3.5 Develop a monitoring and evaluation system that will allow GAFI to monitor the performance and results of the organisation against agreed targets, including a customer satisfaction measurement system.

3.5 Means / Inputs from the MS Partner Administration:

Besides the MS Project Leader (PL) who will be responsible for the overall conception and direction of the MS organisation input to the twinning arrangement and the Resident Twinning Advisor (RTA) who will be dedicated exclusively to this project for the whole duration of the activities, the composition of the MS Twinning team is as follows:

<table>
<thead>
<tr>
<th>Functions of EU staff</th>
<th>Man days (indicative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experts in strategic planning and sector analysis</td>
<td>290</td>
</tr>
<tr>
<td>Experts in policy advocacy and in Sectoral Regulatory Frameworks</td>
<td>240</td>
</tr>
<tr>
<td>Experts in investment promotion and international marketing</td>
<td>340</td>
</tr>
<tr>
<td>Experts in commercial arbitration and dispute resolution</td>
<td>80</td>
</tr>
<tr>
<td>Experts in management upgrading and human resources management</td>
<td>180</td>
</tr>
</tbody>
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3.5.1 Profile and tasks of the Project Leader:

The MS Project Leader (PL) will be responsible for the overall conception and direction of the MS organisation input to the twinning arrangement, ensuring that the members of the team deliver results and achievements in accordance with the targets set for them. He will be expected to spend a minimum of three days per month at his home administration providing project direction and it is envisaged that there will be a requirement for at least one visit to the BC every three months to attend the Project Steering Committee meetings.

The PL is expected to have:
- at least 10 years experience as a senior executive in a Member State IPA and be accustomed to interfacing with senior business people including people at Ministerial level;
- a thorough knowledge of current best practice procedures involving investment promotion;
- a university degree in business administration or a corresponding qualification would be advantageous;
- experience in international co-operation would be an asset.

The PL is expected to deliver the following services:
- ensuring the overall delivery of the agreed outputs for the project;
- ensuring that the project is implemented in accordance with the terms and conditions of the contract;
- establishing good working relationships between the team and GAFI.

3.5.2 Profile and tasks of the Resident Twinning Advisor (RTA):

The duration of the assignment of the RTA will be 24 months.

The RTA, under the guidance of the Project Leader, will lead the work of the team and will work on a daily basis with GAFI staff to implement the project, to support and co-ordinate the activities with GAFI and to
ensure continuity of implementation. He/she will be responsible for the day to day management of the project on site.

The RTA is expected to have:
- good general knowledge of sectoral analysis and investment promotion techniques;
- a knowledge of EU rules and regulations relating to the management of Twinning Agreements;
- a professional record of at least 10 years in a Member State IPA, preferably involving corporate change management;
- a good knowledge of investor targeting techniques;
- a thorough knowledge of current best practice procedures involving investment promotion.

The RTA is expected to deliver the following services:
- day-to-day supervision of the project implementation and coordination of all activities;
- management of the project administration;
- drawing up the Terms of Reference for the Medium and Short-term specialists;
- professional support and participation in implementing the work programmes of one or more component.

3.5.3 Profile and tasks of the medium and short term experts:

Besides the technical qualifications defined for each one of the categories of specialists proposed below, it is expected that all medium and short term specialists have the following profile:
- proven professional background in their field of expertise;
- 5-10 years of experience at management level in investment promotion related organisations gained in a Member State IPA or similar organisation;
- solid knowledge of best practice IPA working methods and procedures, gained through “hands on” practical experience;
- good background in formulating and implementing strategies and policies;
- solid training skills and experience;
- good written and spoken command of English;
- good communication skills;
- previous experience of working in multi-disciplinary team in a multi-national environment;
- good computer literacy.

3.5.3.1 Experts in strategic planning and sectoral analysis

The estimated duration of the assignment of the planning and sector analysis specialists will be 290 days.

The strategic planning and sector analysis specialists are expected to meet the following requirements:
- Experience in strategic planning in an EU member state IPA
- hands-on experience in developing regional strategies for attracting investment
- Experience in preparing sector analysis studies and identification of competitive advantage for attracting investment
- Experience in benchmarking sectors for international marketing in a Member State IPA;
- Experience in conducting training on strategic management and sector analysis
- excellent interpersonal and leadership skills;

They are expected to deliver the following services:
- analysing sectors to identify those where Egypt has a competitive advantage;
- implementing systems for sectoral reviews to identify new areas of opportunity for GAFI;
- review and analyse the existing strategy development process and capabilities;
- Prepare a revised strategy development process for approval by GAFI Board
- conducting training on strategic management and sector analysis
3.5.3.2 Experts in policy advocacy and sectoral regulatory frameworks

The estimated duration of the assignment of the standards and sectoral regulatory frameworks specialists will be 240 days.

The policy advocacy and sectoral regulatory frameworks specialists are expected to meet the following requirements:

- Experience in a public sector agency, preferably an IPA, in the field of influencing investment climate change through devising macro and sectoral policies aimed at attracting more FDI;
- Detailed, hands on experience in institutional building linked to approximating rules and regulations to EU acquis of relevance to industrial and services sectors;
- Practical experience in creating or streamlining sector-wide systems ensuring compliance to EU best practice;
- Experience in introducing procedures and reforms for facilitating investors’ exits;
- Solid background in monitoring and evaluating the implementation of systems for EU and international market access with a view for attracting foreign direct investment.
- Excellent interpersonal and leadership skills;
- Good organisational and managerial strengths in order to set-up and manage a process of effective data gathering and writing concise policy papers.

They are expected to deliver the following services:

- Analysis of the level of compliance of the sub-sectors identified with EU regulations;
- Design and implement mechanisms (e.g. consultation groups) to capture the views of exiting investors on key public sector issues that need to be addressed to improve the investment climate in Egypt;
- Benchmark Egypt against key competitor countries in the areas of business environment and use data to drive further research in selected areas to determine required policy changes;
- Offer recommendations on measures to be adopted, and on their optimal sequence of implementation, in order to put in place systems ensuring conformity of these sub-sectors with EU regulations;
- Establish an ongoing process of reviewing public policy to assess its impact on Egypt's attractiveness for target sectors;
- Provide practical assistance in lobbying for reforms by which the selected sub-sectors are rendered complaint to EU regulations;
- Introduce procedures and reforms for facilitating investors’ exits;
- Establishment of a monitoring and evaluation system by which progress in approximating to EU acquis in the selected sub-sectors can be observed and analysed;
- Train GAFI personnel on advocating and bringing about policy reforms with a view towards attracting investment.

3.5.3.3 Specialist in commercial arbitration and dispute resolution

The duration of the assignment of the Commercial Arbitration Specialist will be 80 days.

The Commercial Arbitration Specialist is expected to meet the following requirements:

- At least 5 years experience in a public sector agency or a business organisation in the field of local and international commercial arbitration, mediation and settlement of investment and business disputes through existing legal instruments;
- Excellent interpersonal skills and the ability to operate in a multi-cultural environment.

The Commercial Arbitration Specialist is expected to deliver the following services:

- Reinforce the knowledge and operating modalities of GAFI’s services on mediation, consultation and arbitration options available in local and international legal systems on business-to-business and business-to-state investment-related disputes;
establish a mapping of and the recourse options to all dispute settlement schemes of a state-to-state nature under multilateral rules, bilateral investment treaties and dispute settlement protocols, which could usefully support resolution of private commercial and investment disputes;

establish internal procedures for counselling investors/businesses on given typologies of commercial disputes and means of recourse, including with the state administration Training counterpart staff as appropriate.

3.5.3.4 Experts in investment promotion and international marketing:
The total number of days allocated to this component of 340 days is broken down into two sub sections:
The investment promotion and international marketing specialists are expected to meet the following requirements:

- at least 10 years of practical experience in FDI promotion including targeting investors, designing outbound and inbound promotion campaigns, sector seminars, image building campaigns, investor services and facilitation activities, and investor after-care services gained in a Member State IPA;
- solid experience in drafting and implementing best practice sectoral promotion strategies and policies, and solid experience in sectoral market intelligence and investor targeting;
- experience in the management and operations of an overseas representative office network of an IPA;
- excellent skills in analysing data and devising sector marketing plans;
- broad experience in international marketing operations;
- experience in the operation of a regional outreach programme centred on a network of regional offices;
- practical experience in developing clear promotion targets for each sector and for each region;
- good practical experience of monitoring and evaluation of activities.
- good experience in know-how transfer and "teaching by doing" practices;

They are expected to deliver the following services:

- reformulating and implementing GAFI's investment promotion and marketing strategy and plan focusing on the sectors under activity 1.2 and 1.3 (likely to include, but not limited to: textiles, food processing, electronics, IT enabled services, logistics and automotive components etc.) to identify niche areas of opportunity for Egypt and provide information to be used in marketing campaigns;
- determining the requirements of specific marketing programmes;
- developing mechanisms to identify niche opportunities within the selected sectors;
- developing mechanisms to identify specific companies for targeted marketing;
- analyse and agree on key target markets for GAFI's investment promotion campaigns and marketing;
- assist in designing investment promotion campaigns in key target markets;
- assist in production of marketing aids e.g. brochures, presentation documents, CD's etc;
- analyse and agree on prime locations for overseas representative offices;
- assist in process of establishing GAFI's overseas office network including site selection, staffing, office procedures, record keeping reporting channels etc;
- assist in the pilot programme aimed at establishing an efficient network of regional offices incorporating GAFI's own offices as well as those of the Governorates;
- co-operating with GAFI in designing a business/customer data base;
- train GAFI staff on state of the art investment promotion and marketing techniques.

3.5.3.5 Experts in management upgrading and human resource management:
The estimated duration of the assignment of the human resource specialists will be 180 days.

The human resource specialists are expected to meet the following requirements:

- experience in implementation of new methodological and organisational solutions;
- thorough knowledge of best practice personnel procedures for an IPA;
solid experience in drafting an IPA HR strategy, client charter, and performance-based management systems;
practical experience of introducing and managing a process of change into an organisation;
the ability to communicate effectively at all levels in an organisation in order to ensure acceptance for new procedures and processes;
experience in benchmarking performance against other IPAs.
excellent interpersonal skills and the ability to operate in a multi-cultural environment.

They are expected to deliver the following services:
introduce an overall management programme that facilitates the effective operation of the investment promotion function;
develop best practice operational management procedures (including project management methodology) and HR procedures including manuals for the investment promotion and selected regulatory function staff within GAFI e.g. Client Charter, response times;
advise and assist the Human Resource Manager and other counterparts in developing personnel procedures aimed to attract and keep good quality staff with relevant private sector experience;
assisting GAFI to put in place a reliable system to monitor, evaluate and benchmark the organisation’s performance in attracting new investments (both domestic and FDI).
train counterpart staff as appropriate.

4. INSTITUTIONAL FRAMEWORK
While the beneficiary institution is GAFI, given the size and complexity of GAFI, the project will concentrate on the investment promotion division of the organisation, although there is also a requirement to work with staff in selected regulatory function divisions within GAFI. In addition, the following institutions will directly benefit from the twinning activities:

4.1 Ministry of Foreign Trade and Industry
The Ministry of Foreign Trade and Investment will benefit from this initiative through having its Commercial Attachés trained in best practice techniques for the attraction of FDI investment to Egypt. This will also help the overseas representation of the Ministry to become more efficient in carrying out their other functions.

4.2 Ministry of Investment
The Ministry of Investment will benefit in two main ways:

i) Through having a more professional organisation within its remit of responsibility;

ii) having an organisation that is capable of assisting in the development of policy papers for consideration by the Cabinet of Ministers on issues affecting the competitiveness of the country.

4.3 The General Authority for Economic Zone, North-west Gulf of Suez (SEZone)
SEZone will also benefit directly from the initiative. It will benefit through having a more professional organisation (GAFI) creating in international markets the image that Egypt is an attractive location for investments. It is certain that some of the companies visiting Egypt, as a result of GAFI's enhanced marketing efforts, will consider SEZone as a location option.

The following organisations will also benefit from the twinning activities: The Privately Owned Free Zones and Industrial Estates. As in the case of SEZone above, the privately owned Free Zones and Industrial Estates will benefit from having an increased flow of new investments looking for locations in the country.

4.4 Trade and Business Associations
A number of business associations and chambers of commerce will benefit from the initiative through the development of a focused regional programme of cooperation, stronger international promotion and presence and a better focused sector marketing approach which should benefit its membership.
5. **BUDGET**

The maximum estimated budget for this twinning project is **€ 1,500,000**

6. **IMPLEMENTATION ARRANGEMENTS**

6.1. **Implementing Agency (including contact person and contact details):**

The Programme Administration Office (PAO) is in charge of the coordination of all the activities and the administrative management of the Support to the Association Agreement Programme. The PAO will be the responsible institution for the management of this twinning project. It manages the tenders, contracts and payments in accordance with the procedures of ex-ante control defined in the Practical Guide to contract procedures financed from the General Budget of the EC in the context of external actions.

**PAO Contact Details:**
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6.2 **Main Counterparts in the BC:**

The General Authority for Investments and Free Zones (GAFI)  
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**Focal Point: Mr. Hazem Elwissimy**

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**Email:** helwissimy@investment.gov.org

**Project Leader**

The Egyptian Project Leader (PL) will be Mr Hazem Elwissimy. He will act as the counterpart of the Member State PL and will ensure in close co-operation the overall steering and co-ordination of the project, ensuring the operational dialogue and the backing at political level. The PL’s seniority will ensure his ability to mobilise the necessary staff in support of the efficient implementation of the project. He will also coordinate the Project Steering Committee (PSC) from the Egyptian side.

**RTA counterpart**

The beneficiary will appoint a RTA counterpart, who will work day to day with the RTA to assure proper coordination and implementation of all the activities of the project and achieve an efficient transfer of knowledge. He will be responsible, together with the RTA, for finalising the reports to be submitted to the PLs for the PSC.

Another task for the RTA counterpart will be acting as a coordinator between all the technical assistance projects based in GAFI. This is essential in order to ensure that there is no overlap of functions and that there is proper liaison between the programmes to ensure maximum effectiveness. In this context it is envisaged that there will be a steering committee involving all donor programmes working with GAFI.
Furthermore, the mentoring approach for this project, together with the shared responsibility for achieving the expected results, require the appointment of suitably qualified personnel to work with the MS experts for each major activity within each component. These counterparts should be the individuals responsible for that particular management area within GAFI since they will be the owners of the new processes and will be responsible for the implementation of the best practice.

6.3 Contracts

Contracts for the procurement of equipment necessary for the implementation of the project will be financed by the SAAP in accordance with the procedures laid down in the "Practical guide to EC external aid". This is subject to the approval of the Ministry of International Cooperation and the EC Delegation.

7. IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Launching of the call for proposals</td>
<td>February 2007</td>
</tr>
<tr>
<td>Start of project activities</td>
<td>October 2007</td>
</tr>
<tr>
<td>Work plan duration</td>
<td>24 months</td>
</tr>
</tbody>
</table>

The project will commence with a workshop in which some key experts from the Twinning partners shall participate. This workshop will serve the following purposes:

- Present the project to stakeholders;
- familiarise stakeholders with the situation in Egypt and within GAFI.

At the end of project, another workshop will be held in order to evaluate outputs achieved as well as share lessons learnt with stakeholders.

8. CROSSCUTTING ISSUES

If the results outlined are fully achieved, it is hard to imagine that the performance of GAFI would slip backwards after the project ends. To a great extent, each component has been sustainability proofed. The priority to maximise sustainability must focus, in particular, on the main activity or activities. In this context, the following have to be considered:

- it will be necessary to ensure that GAFI insists that all companies locating in Egypt operate to international best practice with regard to protecting the environment and that polluting companies are actively discouraged from locating in Egypt;
- given the negative impact that the overall regulatory regime has on investment in Egypt, it will be important for GAFI to be effective in the area of policy advocacy as it represents one of the few avenues through which investors and the private sector can help influence policy change for the better;
- An important issue to be considered by both GAFI and the MS Twinning partner is that of confidentiality and protection of information, specifically those relating to investment plans of companies in both countries; given the increasingly global nature of companies investment plans and the nature of the sectors GAFI intends to pursue, there is a considerable possibility that during project implementation, both partners will be marketing to the same companies: it will therefore be necessary to address this issue in discussions between GAFI and the selected MS and incorporate appropriate safeguard mechanisms into the contract.

9. CONDITIONALITY AND SEQUENCING

The ultimate success of this project is dependent on a large number of factors, some of which are within the control of GAFI, but many lie outside its remit. However it is critical that the GAFI Board and senior management team give the project its full backing and co-operation

Below are listed some of the most important factors in determining the outcome of the project:

- changes at top management level in GAFI could lead to lack of consistency and focus;
• staff allocated by GAFI to the project must be capable of fully understanding and utilising the benefits of the twinning process;
• GAFI remains the lead Agency in Egypt for promotion of investment and retains the support of the Government for its activities in promoting Egypt as a location for FDI;
• economic and/or political factors intervening to reduce the attractiveness of Egypt for investment.

The following sets out the minimum levels of commitment by GAFI for the successful implementation of this project:

• making available suitable and adequate accommodation for the entire Twinning team. This to include fully serviced office accommodation eg. internet connection, fax facilities, telephones with international connections, printers, photocopiers etc;
• making available training and seminar venues;
• ensuring co-ordination between institutions connected with the project;
• Ensuring access to all data and information relevant to the operation of the project in English.

Appendix 1: Log Frame Matrix
### Annex 1

**LOG-FRAME PLANNING MATRIX**

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Indicators of achievement</th>
<th>Sources of verification</th>
<th>Assumptions and risks</th>
</tr>
</thead>
</table>
| The overall objective of the project is to contribute to the achievement of higher rates of growth and increased inflows of capital, expertise and technology through the strengthening of national policy and institutional framework for investment promotion in Egypt. | ▪ Increased Domestic Investment  
▪ Increased Foreign Investment  
▪ Increased FDI in technology-intensive sectors | ▪ Official statements  
▪ IMF international financial statistics  
▪ EUROSTAT Publications  
▪ World Investment Report | ▪ Government policies keep fostering liberalization of trade and markets and encouraging private productive investment |

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Indicators of achievement</th>
<th>Sources of verification</th>
<th>Assumptions and risks</th>
</tr>
</thead>
</table>
| To support GAFI in its process of change from being primarily a regulatory and controlling organisation to one that is customer-focused and pro-active in attracting investment through the application of best practices of European Investment Promotion Agencies. This purpose will be achieved through:  
▪ Reform of laws, rules and regulations governing high investment potential economic sectors in line with EU best practice;  
▪ strengthening GAFI's strategic planning capacity;  
▪ strengthening GAFI's capacity to promote investment, simplify investors' exit routes as well as resolve disputes;  
▪ reforming GAFI's management practices in line with EU best practices. | ▪ Increased share of GAFI-channeled FDI in total FDI inflows  
▪ Increased rate of actually implemented GAFI channeled investment  
▪ Share of FDI in total GFCF  
▪ Increased number of expansions from existing GAFI clients  
▪ Increased number of new jobs created by companies established through GAFI | ▪ CBE Bulletins  
▪ MoI statistics  
▪ GAFI reports  
▪ ANIMA reports | ▪ Political stability in the Middle East  
▪ Domestic political and institutional due process  
▪ ENP Action Plan adopted and in the process of implementation |
<table>
<thead>
<tr>
<th>Results</th>
<th>Indicators of achievement</th>
<th>Sources of verification</th>
<th>Assumptions and risks</th>
</tr>
</thead>
</table>
| **Result 1:** GAFI is a recognized IPA, with a clear strategy for reforming laws, rules and regulations in priority sectors with high FDI potential, well connected to its external and internal stakeholders and run according to best managerial standards and EU standards approximation is under way in several sectors of high FDI potential. In addition, GAFI has a demonstrated capacity to stimulate re-investments, facilitate smooth exits and has expertise and operational capability to assist in solving investment and commercial disputes substantially. | ▪ Egypt's business attractiveness ranking  
▪ Egypt's competitive index  
▪ Sectors with high FDI potential identified  
▪ Detailed analysis of short list sectors undertaken  
▪ Operational mechanisms and process knowledge embedded (sector review meetings, business association groups etc) to capture stakeholders views on required public sector policy changes  
▪ Agreement reached with the Ministry of Investment regarding procedures for putting policy documents from GAFI to the Cabinet of Ministers for decision  
▪ Dispute settlement facilitation mechanisms in place and operating effectively  
▪ GAFI's Investment Promotion Strategy and Plan produced and its mechanisms in place and operating effectively  
▪ Specific companies with potential to invest in Egypt identified for targeted marketing  
▪ GAFI-produced promotional material  
▪ GAFI's has overseas representation (either through the Commercial Attachés in the embassies or through the establishment of their own overseas network of offices  
▪ GAFI's regional outreach investment promotion pilot programme based on the existing GAFI and Governorates network of offices established | ▪ Foreign Business Associations and Chambers of Commerce publications  
▪ Foreign Embassies and Trade Promotion Bodies review of business environment in Egypt  
▪ GAFI's annual reports  
▪ GAFI Sectoral Studies  
▪ Government statements | ▪ GAFI keeps being supported by a reform-oriented Ministry |

| **Result 2:** GAFI is able to welcome, inform and support investors in their moves to build on Egypt’s well-advertised comparative advantage, as well as to accompany these moves up to their fruition and even beyond. | ▪ Investment Promotion Strategy Document  
▪ Company profiles from GAFI database  
▪ Promotional Material (leaflets, information notes and application forms)  
▪ GAFI annual report  
▪ Reports on settled disputes | ▪ | |
<table>
<thead>
<tr>
<th>Results (continued)</th>
<th>Indicators of achievement</th>
<th>Sources of verification</th>
<th>Assumptions and risks</th>
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</thead>
</table>
| **Result 3:** GAFI is a result-oriented, efficiently managed and financially viable going-concern, rewarding staff performance and constantly upgrading management tools and human resources skills. | - M&E system in place and operating  
- New management approach communicated at all levels of the organization  
- Internal management procedures, relating to the investment promotion function, including HR manual produced  
- Incentives programme for staff in the investment promotion division developed and submitted to the Board | - GAFI/Invest in Egypt Newsletter  
- Statistics on re-investment  
- GAFI customer satisfaction survey results  
- GAFI operating statement | |

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Pre-conditions</th>
<th>Assumptions and risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1: Strategic planning, sectoral analysis and regulatory reform</strong></td>
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</tbody>
</table>
| 1.1 Train GAFI staff in the skills of researching, analysing and writing policy papers containing clear recommendations for action for submission to the Ministry of Investment. | Experts in Strategic Planning and Sector Analysis (290 man days)  
Experts in policy advocacy and Sectoral Regulatory Frameworks (240 days)  
Experts in Commercial Arbitration and Dispute Resolution (80 man days) | Availability of accurate information about sectoral performance  
Clear prioritization criteria that are in line with Egypt’s economic strategy | |
<p>| 1.2 Benchmark Egypt against key competitor countries in the areas of business environment and use data to drive further research in selected areas to determine required policy changes; | | | |
| 1.3 Conduct a detailed analysis of several economic sectors, complete with clear recommendations on which sectors offer Egypt a competitive advantage. | | | |
| 1.4 Establish an ongoing process of reviewing public policy to assess its impact on Egypt’s attractiveness for target sectors; | | | |</p>
<table>
<thead>
<tr>
<th>Activities (continued)</th>
<th>Means</th>
<th>Pre-conditions</th>
<th>Assumptions and risks</th>
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<tbody>
<tr>
<td>1.5 Prepare a revised strategy development process and put in place formal and informal systems for capturing inputs from national and foreign stakeholders interested in improving the investment climate, allowing GAFI to clearly articulate areas requiring public sector policy change. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.</td>
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<tr>
<td>1.6 Investigate existing procedures and introduce reforms with the aim of facilitating investors' exists from Egypt according to EU best practice.</td>
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<td>1.7 Reinforce the dispute settlement and commercial arbitration function of GAFI by developing procedures and instruments for providing customized counselling and dispute settlement services to investors in line with European best practice.</td>
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<td>1.8 Agree with the Ministry of Investment on the key areas that will be addressed by GAFI in determining new policies.</td>
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<tr>
<td>1.9 Based on the outputs of activity 1.1 and 1.2, analyze the level of compliance of the identified high priority sectors sub-sectors and offer recommendations on measures to be adopted, and on their optimal sequence of implementation, in order to put in place systems ensuring conformity of these sub-sectors with EU regulations.</td>
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<tr>
<td>Activities (continued)</td>
<td>Means</td>
<td>Pre-conditions</td>
<td>Assumptions and risks</td>
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<tr>
<td>1.10 Lobby for and coordinate with other stakeholders, the alignment of laws, rules and regulations governing them to EU best practice.</td>
<td>- Experts in Investment Promotion and International marketing (340 man days)</td>
<td>- GAFI possesses the will to lobby for regulatory reforms</td>
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<tr>
<td>1.11 Establishment of a monitoring and evaluation system by which progress in introducing the identified reforms (according to EU acquis) in the selected sub-sectors can be observed and analysed;</td>
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<td>- GAFI possesses the human and financial resources necessary for sustaining the information system</td>
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<tr>
<td><strong>Component 2: Investment promotion and international marketing</strong></td>
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<tr>
<td>2.1 Re-formulate and implement the investment promotion strategy and action plan in line with the outputs of activities implemented under component 1.</td>
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<td>- Clarity of GAFI Mandate</td>
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<tr>
<td>2.2 Determining the requirements of specific marketing programmes and identifying niche areas of opportunity for Egypt and provide information to be used in marketing campaigns;</td>
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<tr>
<td>2.3 Developing mechanisms to identify specific companies for targeted marketing as well as assist GAFI in designing a business/customer data base. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.</td>
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<tr>
<td>2.4 Assisting in the design of investment promotion campaigns in key target markets and assist in the production of marketing aids e.g. brochures, presentation documents, CD’s etc;</td>
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<tr>
<td>Activities (continued)</td>
<td>Means</td>
<td>Pre-conditions</td>
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<tr>
<td>2.5 Select suitable locations for overseas representation as well as assist in process of establishing GAFI's overseas office network including site selection, staffing, office procedures, record keeping reporting channels etc;</td>
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<tr>
<td>2.6 Develop an effective domestic regional outreach program to assist both domestic and foreign investors.</td>
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<tr>
<td>2.7 Design and implement best-practice systems to ensure the efficient exchange of information between the overseas offices, regional offices and GAFI Head Office in Cairo. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.</td>
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<tr>
<td>2.8 Train GAFI personnel (including the organization of study tours to the twinning partner's organization).</td>
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**Component 3: Management Reform and Development**

3.1 Introduce best practice IPA management operational procedures into GAFI to ensure the effective operation of the investment promotion function including the development of manuals for the investment promotion and selected regulatory function staff within GAFI e.g. Client Charter, response times.

- Experts in management upgrading and Human Resources (180 man days)
3.2 Design and implement project management methodology which will ensure the effective implementation of the new procedures in GAFI. Develop a staff-incentive programme based on performance and personal contribution to increased investment flows. This will entail carrying out an assessment of software and hardware requirements as well as drafting technical specifications of a subsequent tender.

3.3 Develop a staff-incentive programme based on performance and personal contribution to increased investment flows.

3.4 Train project managers and develop project management and facilitation capability throughout GAFI.

3.5 Develop a monitoring and evaluation system that will allow GAFI to monitor the performance and results of the organisation against agreed targets, including a customer satisfaction measurement system.