



FACT SHEET

Trade and Investment Promotion



A customer receives assistance at the USAID-funded Tamayouz Center in Port Said. This one-stop shop houses government entities necessary for business registration, reducing the time to start a business. PHOTO: USAID/Julie Fossler

Through USAID assistance since 2012:

- More than 12,000 aspiring entrepreneurs have been trained, leading to the launch of 149 innovative companies generating new jobs.
- One-stop shops reduced time to register a small business by 60%, so business owners can quickly start their businesses, generate profits, create jobs, and contribute to the economy.
- More than 1.1 million borrowers have benefited from USAID programs; over 65% of borrowers are female heads of household who received micro loans to run small, often home-based businesses.
- Trained 15,000 technical school instructors and established 25 career centers at vocational schools that helped 8,600 graduates (30% women) get jobs.

Overview

Over 800,000 job seekers enter the Egyptian labor market annually, but businesses have not been able to keep pace with the number of jobs needed. The unemployment rate was 5.2 percent in 1980 and has since risen to 12.8 percent. Many seek employment with small and medium enterprises (SMEs), as they constitute more than 95 percent of private enterprises and generate over 80 percent of private sector employment in Egypt. But while incomes have risen across the board since 1975, SMEs account for only ten percent of investment in Egypt and 25 percent of GDP.

Enhancing the growth and profitability of small and medium enterprises is essential to creating employment (especially among women and youth), as well as promoting trade and investment to increase real growth rates. Focusing on SMEs promotes inclusiveness and sustainability, as SMEs are both labor intensive (as opposed to capital intensive) and geographically widespread and thus able to create jobs for youth and women in economically disadvantaged areas. Further, since SMEs dominate the Egyptian economic landscape, addressing their constraints is fundamental to growing the business economy more broadly.

A primary constraint is the complicated, costly, and time-consuming process for registering businesses, securing operating licenses, and complying with complex tax and other reporting requirements. As a result, many SMEs shy away from formalization, limiting the ability of firms to obtain finance, and leading to low rates of innovation. USAID has helped by improving the business and regulatory environment to promote private sector competitiveness. This includes scaling up and improving one-stop shop business service centers to help reduce the bureaucratic

procedures faced by new firms, thus reducing their business risk and encouraging formalization. Addressing this constraint provides opportunities for small enterprises to grow and expand into dynamic medium-sized enterprises, and ultimately mature as thriving large enterprises. To complement this activity and ensure that the laws and regulations governing the labor market are conducive to private sector and employment growth, USAID will help to build the capacity of business associations and select NGOs to advocate for policies that promote workforce development and improve the quality of Egypt's labor force.

Another constraint to SME growth is low employability of Egypt's youth. Secondary education is primarily rote memorization, and technical secondary schools do not provide students with marketable skills to enhance their employability. Further, schools lack linkages with the private sector to prepare students for the needs of the market and connect students with employment opportunities. USAID is helping technical secondary schools improve their capacity to provide students with marketable skills to enhance their employability and build strong and sustainable linkages with the private sector. Support will also be given to build the capacity of selected firms in key sectors to provide in-house vocational training and implement human development strategies to better recruit, train, and retain their staff. Through USAID activities, thousands of youth and women will gain productive employment (including self-employment) through improved technical education systems, employment skills, and workforce development.

A third constraint is a lack of private sector innovation and growth through entrepreneurship. Schools and universities do not focus on the innovation and critical thinking needed for establishing start-ups that will meet market needs and flourish – and entrepreneurs lack access to market information and advisory services to make up for this deficit. USAID is working with private sector partners to enhance entrepreneurship skills; improve SME access to technology, market information, and financing; and help new firms evolve into more sophisticated businesses to meet market needs. Through increasing the number of start-ups and developing their ability to innovate and grow, USAID assistance should enable hundreds of SMEs and entrepreneurs to see business sales growth as a result of improved integration with lead firms of fast growing value chains, streamlined business procedures, simplified regulations, and improved business practices.

Activities

Supporting Entrepreneurship and Enterprise Development promotes growth and competitiveness of SMEs by improving their access to high-quality public and private services, including support in obtaining accurate market information, developing business plans, and gaining access to finance. The project will focus on 3-5 selected sectors, with an emphasis on SMEs that are woman-owned or have the potential to hire significant numbers of women and youth. Implementing Partner: AECOM; Life of Project: November 1, 2015-October 31, 2019; Total USAID Funding: \$22.9 million. Bilateral Agreement: Trade and Investment Promotion in Egypt (TIPE).

Workforce Improvement and Skills Enhancement will improve technical secondary education and labor skills; create job opportunities; improve the performance of the private sector through enhanced labor productivity; and advocate for policy and regulatory reforms related to workforce development and labor market efficiency. Implementing Partner: Management Training Corporation; Life of Project: November 1, 2015-October 31, 2019; Total USAID Funding: \$22.1 million. Bilateral Agreement: Trade and Investment Promotion in Egypt (TIPE).

Financial Inclusion: This project will help the Ministry of Finance improve its public cash management capacity and promote financial inclusion for all Egyptians. It will support the development of electronic payment platform systems to cover private sector financial transaction costs. Electronic payments reduce transaction costs and provide better fraud prevention and protection, empowering Egyptians to become valid financial actors better integrated into a growing economy. Implementing Partner: U.S. Treasury; Life of Project: November 2015-September 2018; Total USAID Funding: \$3.7 million; Bilateral Agreement: Trade and Investment Promotion in Egypt (TIPE).

Egyptian-American Enterprise Fund (EAEF): The EAEF is a United States Government-funded private entity aimed at promoting financial inclusion and job creation, as well as increasing foreign and domestic investment in Egypt, with a broader target of long-term sustainable economic development. The EAEF's primary mission is to stimulate the Egyptian private sector by providing access to investment capital and loans, modern technologies and best business practices to SMEs, while also achieving financial profitability. The fund, currently capitalized at \$180 million, is led by a board of directors that is primarily comprised of Egyptian-American and Egyptian nationals and advised by Lorax Capital Partners, a financial services institution led by an experienced Egyptian management team. Implementing Partner: EAEF; Life of Project: 2012-2016; Total USAID Funding: up to \$300 million.