



USAID | **EGYPT**
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Acronyms and Abbreviations

A&A	Acquisition and Assistance
AFD	Agence Française de Développement (French Development Agency)
BRM	Bureau for Resource Management
CAPMAS	Central Agency for Public Mobilization and Statistics
CDCS	Country Development Cooperation Strategy
CLA	Collaborating, Learning, and Adapting
DIS	Development Information System
DO	Development Objective
DPG	Development Partners Group
DRM	Domestic Resource Mobilization
EU	European Union
EBRD	European Bank of Reconstruction and Development
EFF	Extended Fund Facility
FAO	United Nations Food and Agriculture Organization
FDI	Foreign Direct Investment
FSR	Financing Self-Reliance
GDP	Gross Domestic Product
GERD	Grand Ethiopian Renaissance Dam
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation or German Development Agency)
GOE	Government of Egypt
HCTM	USAID Office of Human Capital and Talent Management
HCWW	Holding Company for Water and Wastewater
HMIS	Health Management Information System
IATI	International Aid Transparency Initiative

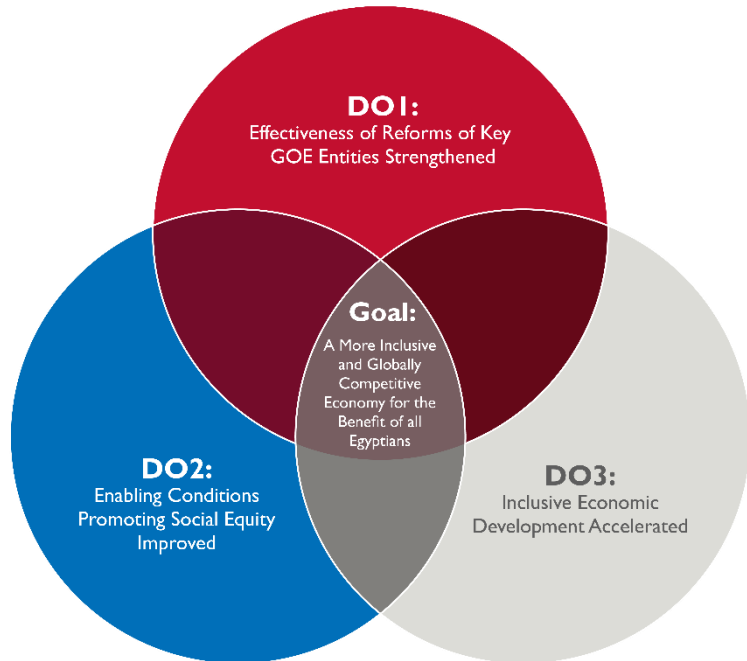
ICS Integrated Country Strategy
ICT Information and Communications Technology
IP Implementing Partner
IR Intermediate Result
IMF International Monetary Fund
JICA Japanese International Cooperation Agency
J2SR Journey to Self-Reliance
MEL Monitoring, Evaluation, and Learning
MIC Ministry of International Cooperation
MoETE Ministry of Education and Technical Education
MoHP Ministry of Health and Population
MoU Memorandum of Understanding
MSME Micro, Small, and Medium Enterprises
NPI New Partnerships Initiative
PMP Performance Management Plan
PPD Public-Private Dialogue
PSE Private Sector Engagement
SDS Sustainable Development Strategy: Egypt Vision 2030
TVET Technical and Vocational Education and Training
UNICEF United Nations Children's Fund
USAID United States Agency for International Development
USG United States Government
VAWG Violence Against Women and Girls
WEF World Economic Forum
WGI Worldwide Governance Indicator

I. Executive Summary

CDCS Goal

The United States Agency for International Development's (USAID) Goal for its 2020-2025 Country Development Cooperation Strategy (CDCS) is "A More Inclusive and Globally Competitive Economy for the Benefit of all Egyptians." This ambitious goal supports Egypt by focusing on three interconnected priorities for deep-rooted and transformational change. The theory of change for this CDCS posits that when more Egyptians have the capacity and opportunity to contribute to the economy, the

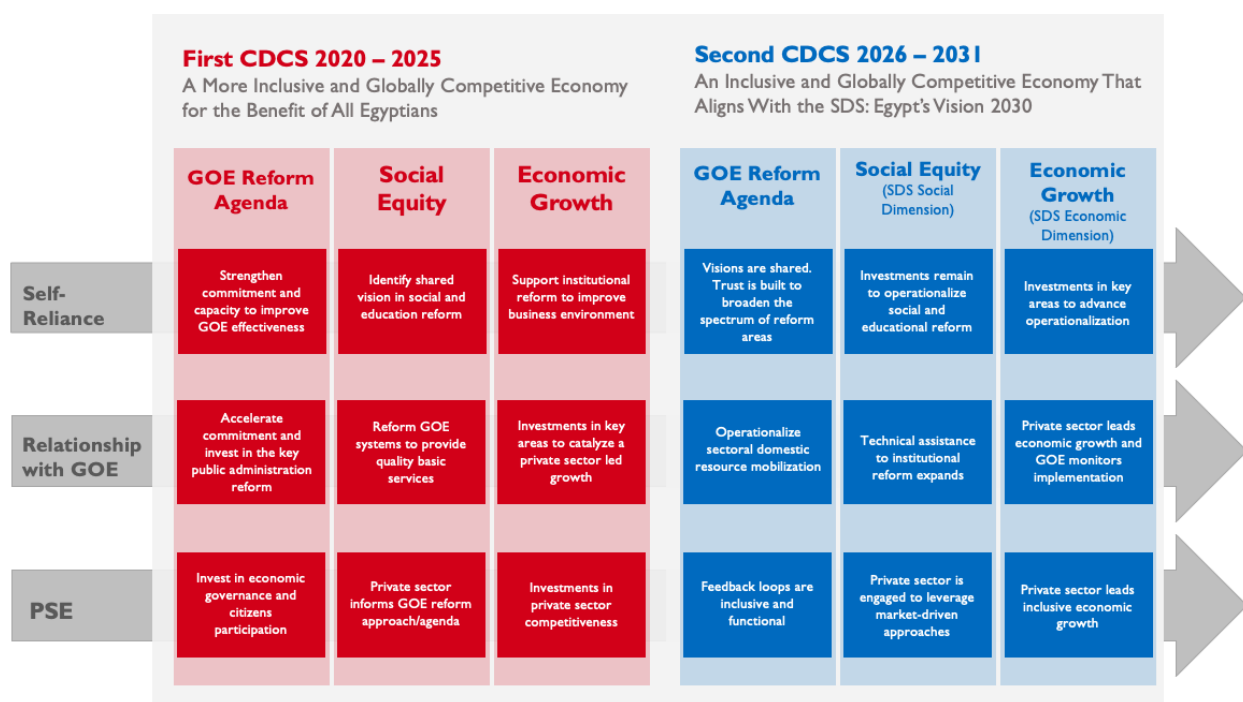
economy will grow. Where there are opportunities to directly support Government of Egypt (GOE) policies, systems, and institutions to increase economic participation, USAID will provide targeted technical assistance to strengthen GOE-led reform processes. The GOE's institutional reform efforts must be supported with technical capacity building to improve the effectiveness and accountability of its public sector (Development Objective I, or DOI). Equally important to achieving the Mission's Goal is that social equity must be promoted by improving access to and quality of essential basic services to ensure that underrepresented and marginalized individuals and communities are able to be healthy, educated, empowered, and contribute to Egypt's economy (DO2). Concurrent to these investments, economic development must be supported through initiatives that focus on the business enabling environment, strategically selected value chains, and linking individuals, particularly women and youth, to improved economic opportunities (DO3).



The GOE has released its Sustainable Development Strategy (SDS): Egypt Vision 2030 that outlines Egypt's development path and acts as a catalyst to continue to drive social and economic development. The SDS Vision 2030 serves as an umbrella for a number of other

GOE strategies.¹ To support and incentivize this commitment, USAID will partner with the GOE and engage with other stakeholders to operationalize this reform agenda and to ensure that progress is sustainable and equitably distributed among Egyptians. Central to this CDCS is a focus on increasing the participation of women in the economy. To stimulate economic growth and reduce poverty, several GOE strategies outline approaches for decreasing barriers to women’s labor force participation. The GOE is committed to women’s social and economic inclusion, and this CDCS also reinforces Egypt’s National Strategy for the Empowerment of Egyptian Women 2030.

Strategic Choices



This five-year CDCS takes a long-term “foundational” approach and is expected to establish the pre-requisite conditions for success of this strategy as well as a follow-on five-year CDCS (2026-2031). This CDCS fully aligns with the development priorities of the GOE under Egypt’s SDS Vision 2030 strategy. Thus, a notional ten-year time horizon allows USAID to support the necessary building blocks that will result in the development impacts Egypt strives to

¹ The Sustainable Development Strategy: Egypt Vision 2030 has three overarching dimensions (Economic, Social, and Environmental) with 10 corresponding pillars. The Mission will contribute to nine out of the 10 pillars, showing strong alignment with Egyptian priorities. Additionally, this CDCS aligns with a variety of GOE sectoral strategies and policy priorities identified under each of the respective Development Objectives.

accomplish over the next decade. During this five-year CDCS, USAID expects to strengthen and support the commitment and capacity of the GOE to deepen key structural reforms as well as to increase the opportunities for inclusion of civil society, academia, the private sector, and citizens in the economy.

USAID has made strategic choices to inform both our approach and programming to support the Goal of “A More Inclusive and Globally Competitive Economy for the Benefit of all Egyptians.” With a demographic structure that is expected to grow by an additional 60 million people by 2050,² development must meet the demands of the growing population, the economy must expand, and Egyptians must be equipped with the requisite skills to meet the market’s needs. Inclusion, especially of women and youth, is essential to ensure that all Egyptians contribute to and benefit from this economic growth. USAID will continue to align and coordinate with the GOE, other donors, and the private sector to facilitate this change. USAID is taking a pragmatic approach to governance reform and will work with select GOE institutions/entities on national policy formation. Programming will support the entities that have the mandate and authority to set the overarching rules and regulations that drive Egypt’s

² UNICEF (2019) Population dynamics and the demographic dividend potential of Eastern and Southern Africa: A primer. November 2019. <https://www.unicef.org/esa/media/4961/file/UNICEF-ESA-Population-Dynamics-Demographic-Dividend-Potential-Nov-2019.pdf>

priorities. USAID’s work will focus on systems strengthening and building monitoring systems with GOE partners where there is mutual interest and windows of opportunity.

- Inclusive economic growth remains a top priority for USAID and the GOE and has the greatest potential to propel Egypt’s self-reliance. This strategy is focused on ensuring the inclusion and integration of women, youth, historically underserved geographies, across all DOs to participate in and benefit from a growing economy. This includes a strong women’s empowerment component so that women will be supported to meaningfully participate and reap the benefits.
- Egypt has a vibrant private sector, yet improvements to the business enabling environment are needed to achieve inclusive economic growth over the long-term. Accordingly, USAID will support and partner with the GOE and the private sector to ensure that Egypt's economy both serves all Egyptians and also benefits from their contributions.
- This CDCS will seek to instill behavior change initiatives across all three DOs. At the institutional level, USAID will support the GOE’s efforts to increase consultations with the private sector and strengthen anti-corruption training for civil servants to transform the behaviors around public sector service delivery. USAID will also work across the DOs to transform pervasive social norms and behaviors that prevent women and youth from fully accessing services, making decisions, and participating in and benefitting from the labor market.

DEEPENING THE IMPACT OF RESULTS THROUGH STRATEGIC ASSISTANCE WITH ICT

Digitization has the potential to make services more efficient, accessible, comprehensive, and accountable. ICT is cross-cutting because of its potential impact across the results framework, including in:

- STRENGTHENING HEALTH MANAGEMENT INFORMATION SYSTEMS** 
- INCREASING ACCESS TO LEARNING AND STRENGTHENING THE EDUCATION SYSTEM** 
- SUPPORTING COORDINATION BETWEEN GOVERNMENT ENTITIES AND WITH PARTNERS** 
- CONNECTING MSMEs TO WIDER OPPORTUNITIES** 
- IMPROVING AVAILABILITY OF DATA FOR DECISION-MAKING** 

- Under this CDCS, USAID will seek to elevate the role of ICT and innovation as drivers of sustainable change across the portfolio. Historically, USAID’s interventions in ICT have not

been integrated across the portfolio and have been relatively limited. USAID will provide targeted technical assistance to support the GOE's National Digitization Strategy, strengthen Egypt's digital ecosystem, and explore opportunities to increase responsible use of digital solutions to address development challenges, taking into consideration concerns about an increasing digital divide.

USG Foreign Policy and National Security Considerations

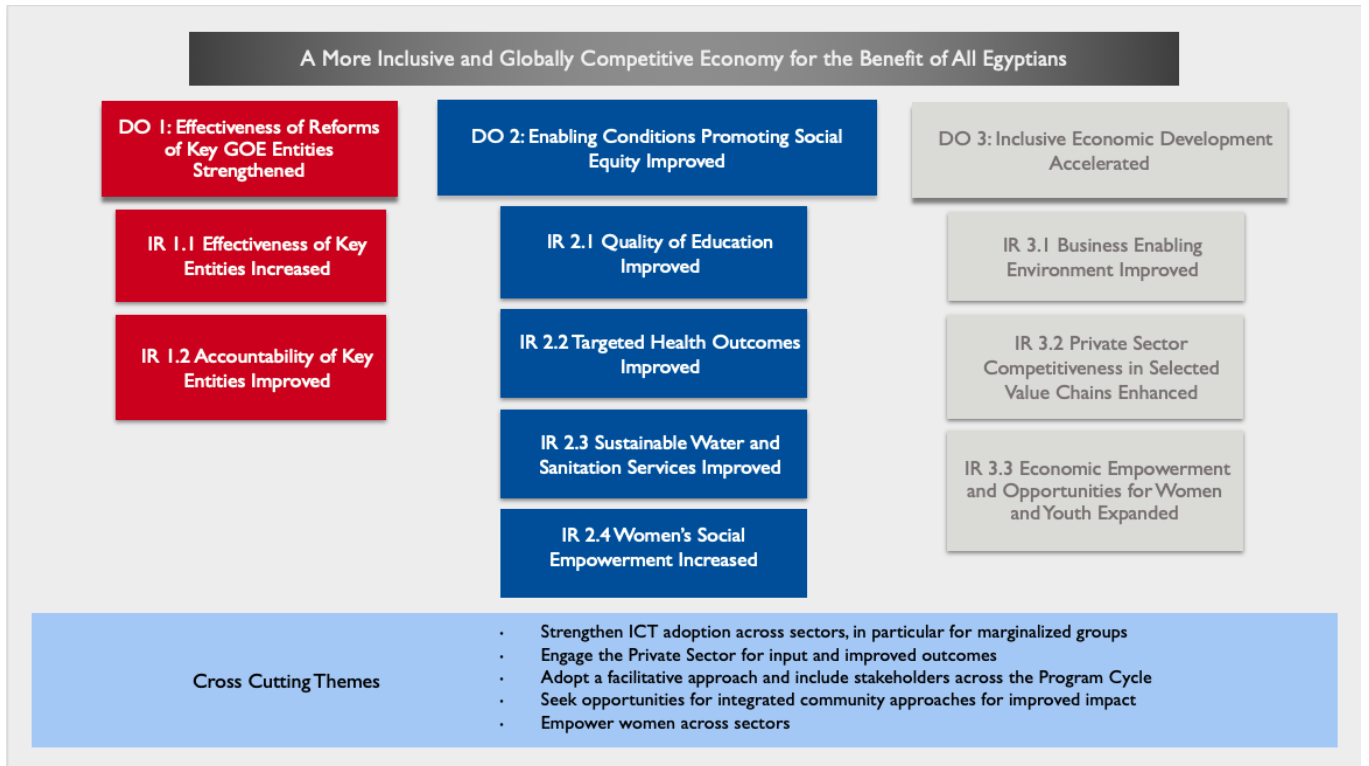
Egypt's success as a secure, prosperous, pluralistic, and democratic state remains vitally important to the United States due to its strategic importance within the region. With over 100 million people – over half under the age of 30 – Egypt is home to about a quarter of the Arab world,³ and its young and growing population is a vital source of the region's dynamism. Since Egypt's presidential elections in 2014, Egypt has remained relatively stable in a region characterized by chaos and a spreading, violent extremism. Egypt is a strategic partner to the United States, particularly in terms of preserving regional peace and stability and combating active terrorist threats that endanger the U.S. and those of our allies and partners. A strong bilateral partnership that helps strengthen Egypt's security, promote regional security, support comprehensive economic and social reform, and build institutions of inclusive governance and social tolerance is of vital strategic importance to the United States.

U.S. Foreign Policy priorities outlined by U.S.-Egyptian relations have been grounded in a bilateral security partnership since 1979. USAID's strategic economic assistance portfolio contributes to the U.S. Government (USG) foreign policy priorities, particularly in terms of supporting stability and economic growth.

USAID's focus on inclusion in historically underserved areas will include targeted programming to increase economic opportunities and access to essential services as well as advancements to women's empowerment. USAID is also prioritizing community-level interventions working with faith leaders to promote tolerance.

Results Framework

³ World Bank (2020) Population, total- Arab World.
<https://data.worldbank.org/indicator/SP.POP.TOTL?locations=IA>



II. Country Context

With over 100 million people,⁴ Egypt is the most populous country in the Middle East. Egypt has seen impressive economic gains and improvements to the average per capita income. It also enjoys near universal school enrollment,⁵ with gender parity in both basic and higher education.⁶ Egypt has celebrated major wins in health, with notable progress in maternal and child health.⁷ And the majority of the population enjoys access to potable, piped water.⁸

However, these achievements have been uneven and are not inclusive of poor and marginalized Egyptians. The economy has seen continuous GDP growth, yet poverty rates continue to climb.⁹ Years of schooling do not adequately translate into levels of education. Businesses remain largely informal and unregistered, and the skillset of the workforce does not match the needs of the market. Marginalized communities, including women, youth, and religious and ethnic minorities, face barriers to accessing government services equitably and participating in the labor force. In order to ensure that more Egyptians, especially those that have been traditionally left behind, can contribute, systemic policy reforms and significant expansion of the economy are needed to meet the economic and social demands of the population.

Key Challenges

Uneven Implementation of Structural Reforms

In 2016, President Sisi initiated unprecedented macro-economic reforms with a three-year, \$12 billion loan from the International Monetary Fund (IMF).¹⁰ Still, additional structural reforms

⁴ CAPMAS (Feb. 2020) Press Conference.

⁵ World Bank (2020) School enrollment, primary (% gross)- Egypt.

<https://data.worldbank.org/indicator/SE.PRM.ENRR?locations=EG>

⁶ World Bank (2020) School enrollment, primary and secondary (gross), Gender Parity Index (GPI), Egypt.

<https://data.worldbank.org/indicator/SE.ENR.PRSC.FM.ZS?locations=EG>

⁷ WHO EMRO (2020) Egypt: Maternal, newborn, and child health.

<http://www.emro.who.int/egy/programmes/maternal-and-child-healthcare.html>

⁸ UNICEF (Accessed Oct. 2020) Egypt: Water, sanitation, and hygiene. <https://www.unicef.org/egypt/water-sanitation-and-hygiene#:~:text=In%20Egypt%2C%20water%20infrastructure%20coverage,water%20directly%20into%20their%20residence.&text=7.3%20million%20people%20are%20deprived,1.5%20million%20in%20urban%20areas.>

⁹ See the GDP and Poverty chart later in this section.

¹⁰ IMF (2016) A chance for change: IMF agreement to help bring Egypt's economy to its full potential. <https://www.imf.org/en/News/Articles/2016/11/11/NA1116-A-Chance-For-Change-Egypt>

are needed to increase Foreign Direct Investment (FDI), support more inclusive economic growth, and increase employment opportunities for Egyptian women and youth. Egypt's SDS Vision 2030 provides an opportunity for USAID to work with the GOE on operationalizing its reform agenda at the national level. Progress toward the SDS Vision 2030 will play a critical role in monitoring and evaluating advancements toward Egypt's national goals, while also strengthening USAID's ability to best support the reform agenda. The GOE's governance reform agenda remains focused on the conditions set by the IMF loan and on economic growth.

Inequitable Access to Opportunities

For all Egyptians to prosper, they must have the foundational services and opportunities to thrive. But the quality and accessibility of GOE services remains uneven. At all levels, the quality of education remains poor, and students leave school without mastering the fundamental, technical, and market-relevant skills needed to fully contribute to the economy.

A healthy population is also a prerequisite to a more productive and capable citizenry able to participate in the economy. The total fertility rate increased between 2008 and 2014¹¹ and is only just now beginning to slowly reverse, adding to the pressure of the impact of population growth on the country's resources and economy. For Egyptian women, improved access to voluntary family planning is an essential enabler of their workforce participation.

Egypt is one of the most arid countries in the world. A growing population, outdated agricultural practices, climate change, and the construction of Ethiopia's Grand Ethiopian Renaissance Dam (GERD) have put essential water resources in jeopardy. This has vast implications in terms of health due to waterborne diseases, sanitation, and hygiene, as well as impacts on economic opportunities and livelihoods in terms of farming and other industries.

The COVID-19 global pandemic has demonstrated how quickly development progress can be undermined and inequalities exacerbated when infectious disease is not managed sufficiently. USAID will help build GOE capacity to improve surveillance and will also look at both the direct and indirect impacts of the pandemic when developing priorities and programs.

Non-Inclusive Economy

¹¹ DHS (2014) Egypt Demographic and Health Survey 2014. <https://dhsprogram.com/publications/publication-fr302-dhs-final-reports.cfm>

In 2019, Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS) announced that 32.5 percent of the population was living below the national poverty line, up from 27.8 percent in 2015.¹² This signifies that the economy is not supporting all Egyptians.

Women are vastly underrepresented in the labor market and the economic gender gap remains high. Egypt ranks 140th out of 153 countries¹³ in women's economic participation and opportunity. And only 18 percent of working-age women are participating in the economy, compared to 65 percent of men.¹⁴ If women's participation in Egypt matched men's participation, it is estimated that it would add 69 percent to the GDP, or US\$313 billion.¹⁵

Youth, especially female youth, also experience a high unemployment rate of 60.5 percent, limiting Egypt's ability to grow economically.¹⁶ Egyptian education at the secondary and tertiary levels does not equip youth with the relevant skills to parlay their studies into employment, and so youth at all levels are underprepared for the labor market and lack the skills, training, and opportunities necessary to contribute to and benefit from the local economy.

¹² Ahram Online (July 30, 2019) 32.5 Percent of Egyptians live below the poverty line: CAPMAS.

<http://english.ahram.org.eg/NewsContent/3/12/341838/Business/Economy/-percent-of-Egyptians-live-below-poverty-line-CAPM.aspx>

¹³ World Economic Forum (2020) Global Gender Gap Report 2020.

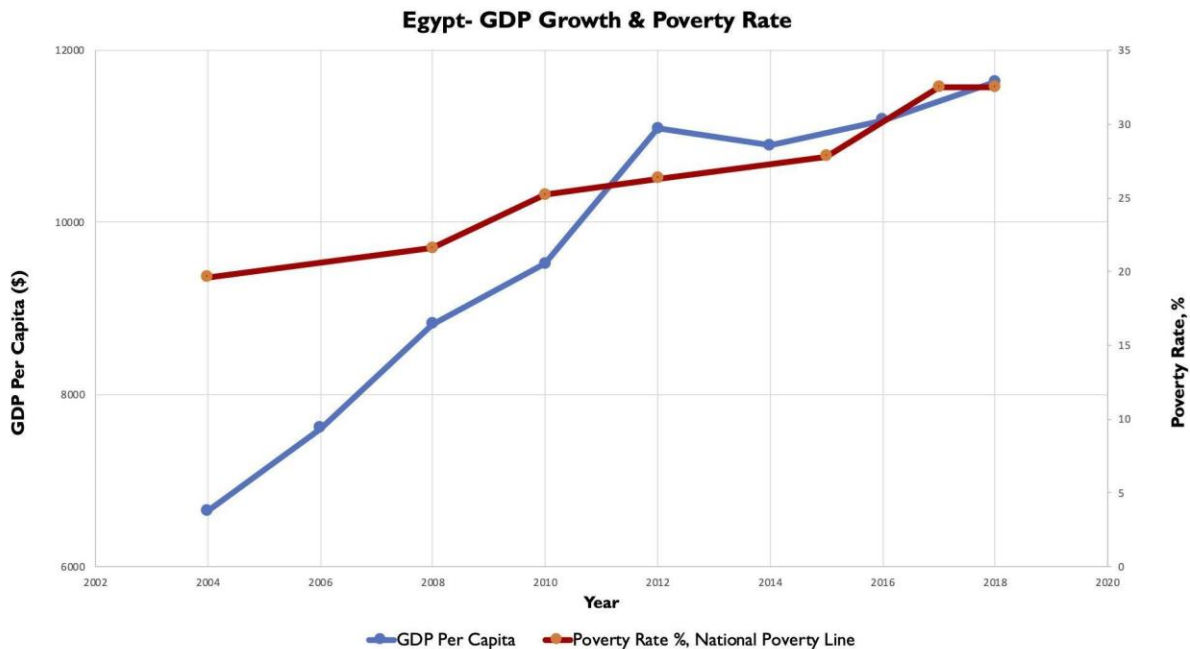
http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

¹⁴ CAPMAS (2020) Quarterly Labor Force Surveys 2018-2020.

¹⁵ Center for Foreign Relations (Accessed May 19, 2020) Growing economies through gender parity: Egypt.

https://www.cfr.org/interactive/womens-participation-in-global-economy/?utm_medium=direct&utm_source=postcards&utm_campaign=gender-parity-postcards

¹⁶ CAPMAS (2020) Q2 2020 Labour force report. http://www.capmas.gov.eg/Pages/GeneralNews.aspx?page_id=1



To better address these economic challenges, Egypt must embrace its burgeoning private sector. The legal and regulatory framework in Egypt is a significant hurdle to private businesses and is the main reason behind Egypt's low ranking in the World Bank's Doing Business Report.¹⁷ Additionally, more than 90 percent of firms in Egypt are informal and unregulated microenterprises and startups¹⁸ that are not included in the tax base and have not grown to meaningfully increase employment opportunities. USAID will address the challenge of fostering a more inclusive economy in this CDCS.

GOE Development Plans

The GOE is committed to ambitious reforms and has achieved some results, though progress is still needed to accelerate positive outcomes. USAID's CDCS prioritizes areas of programming that leverage high GOE commitment as well as shared development priorities. The GOE's primary framework for fostering transformational and more inclusive social and economic development is outlined in its SDS Vision 2030.

¹⁷ World Bank (2020) Economy Profile of Egypt, Arab Republic of.

<https://openknowledge.worldbank.org/handle/10986/32871?locale-attribute=es>

¹⁸ Euro-Mediterranean Network for Economic Studies (2017) Micro, small and medium-sized enterprises development in Egypt, Jordan, Morocco & Tunisia: Structure, obstacles and policies.

SDS Vision 2030: The GOE launched the SDS Vision 2030 in 2016. It identifies inclusive development as the key to enabling Egypt to progress and better meet the needs of all Egyptians. The SDS Vision 2030's goal is: "By 2030, the new Egypt will achieve a competitive, balanced, diversified and knowledge-based economy, characterized by justice, social integration and participation, with a balanced and diversified ecosystem, benefiting from its strategic location and human capital to achieve sustainable development for a better life to all Egyptians."¹⁹ This national-level strategy was developed through extensive consultations with stakeholders, the international development community, the private sector, and civil society actors. Each of the three DOs under this CDCS reinforces the GOE priorities outlined in the SDS Vision 2030. Through explicit alignment of priorities, USAID believes there is an opportunity to capitalize on GOE political will and to achieve more sustainable, locally-owned development results. The SDS Vision 2030 provides momentum for change as the GOE has publicly committed to reforms in the same key areas that USAID has identified as the drivers for sustainable, inclusive economic development.

Planning

USAID's economic assistance programs reflect the USG's commitment to strengthen Egypt's security and stability, grow its economy, and build accountable and transparent institutions. Egypt is a geographically important ally for the United States so USAID and other USG Agencies will continue to have a strong presence in Egypt for the foreseeable future. This CDCS, underscores the trust built between USAID and GOE counterparts to deepen economic development investments and plan for longer-term impact and transformational change.

USAID will support programs that strengthen the GOE's own systems and approaches for broader and more inclusive economic development. USAID will also support the GOE to partner with and strengthen Egypt's private sector to drive sustainable economic development. Ultimately, USAID's goal is to support and strengthen the GOE systems, approaches, and institutions that will drive Egypt to manage and finance its own inclusive economic development agenda.

¹⁹ Government of Egypt (2016) Sustainable Development Strategy: Egypt Vision 2030.

III. Strategic Approach

USG Relationship with the GOE and Efforts of the U.S. Interagency

Egypt is a strategic partner to the United States, particularly in terms of preserving regional peace and stability and combating active terrorist threats that endanger the U.S. and those of our allies and partners. The U.S. has a close diplomatic, military, economic, development, and counterterrorism partnership with the GOE. A strong bilateral partnership that helps strengthen Egypt's security, promote regional security, support comprehensive economic and social reform, and build institutions of inclusive governance and social tolerance is of vital strategic importance to the United States. Egypt enjoys continued U.S. bipartisan legislative and executive branch support and in FY2019 received US\$112.5 million in economic assistance funds. Additionally, the full portfolio of assistance to Egypt in FY2019, including the State Department-managed funds, was US\$1.4 billion, of which foreign military financing and border security programs constituted the lion's share of assistance.

Donor Coordination

USAID actively coordinates and participates in the donor coordination framework established in Egypt. The Development Partners Group (DPG) consists of key bilateral and multilateral donors, including the IMF, the World Bank, the European Bank of Reconstruction and Development (EBRD), the United Nations and its agencies, as well as the United Kingdom, Germany, France, Swiss Cooperation, Korea, Japanese International Cooperation Agency (JICA), and other development donors. The DPG meets on a regular basis and USAID staff also leads and/or participates in sectoral or thematic donor coordination group meetings and in one-on-one donor coordination efforts. In April 2020, the Ministry of International Cooperation (MIC) launched the "Global Partnerships for Effective Development Cooperation," which is a multi-stakeholder platform designed to better coordinate development donor engagement with the GOE across all sectors to effectively deliver the SDS Vision 2030 agenda. The DPG also coordinates ongoing COVID-19 response and economic recovery efforts that are crucial as Egypt continues to respond to and plan for economic recovery after a significant setback to the country's economic growth trajectory.

The International Financial Institutions play a major role in economic development efforts in Egypt. In 2016, the IMF signed a \$12 billion loan through an Extended Fund Facility (EFF) to address long standing macroeconomic challenges in the Egyptian economy. USAID's economic

growth and governance programs under this CDCS will assist with implementing reforms required by the IMF loan and set the stage for broad-based economic growth and achievement of the SDS Vision 2030. In May 2020, the IMF also approved a new \$2.8 billion request for emergency financial assistance followed by another year-long \$5.2 billion loan in June 2020. These two loans are expected to help Egypt cope with challenges posed by the pandemic, finance its budget deficit, and restore the balance of payments shortfalls.

Over the course of this five-year strategy period, USAID will continue to ensure strong donor collaboration to enhance effectiveness and avoid duplication of effort, particularly in the sectors where USAID is deeply invested. One example is in the water and sanitation management sector where several donors, such as the German Development Agency (GIZ), French Development Agency (AFD), and the World Bank, also support sustainable water and sanitation management. USAID coordinates closely with development donors to advance the GOE's water management reform programs. Notably, USAID is the largest donor in the education sector and co-chairs the Development Partner Sub-Group on Education alongside UNICEF to coordinate assistance for the GOE's Education 2.0 Reform Agenda. The EU and World Bank are both active in reproductive health and voluntary family planning programs in Egypt. USAID coordinates closely with the EU on technical assistance in this field. Additionally, as many donors recognize the importance of women's economic empowerment programs, the GOE, through MIC, the National Council for Women, and the Ministry of Social Solidarity, has created a platform through the GOE's "Closing the Gender Gap" accelerator to coordinate and align development partners' women's empowerment programs. USAID coordinates and meets regularly within this group.

The GOE has achieved an encouraging degree of macroeconomic stabilization in the past several years, coupled with regulatory, policy, and civil service reforms to create space for private sector growth. In fact, it is the only country in the region projected to experience positive growth even with the unforeseen and continuous impacts brought on by the COVID-19 pandemic. This was achieved through liberalization of the exchange rate, fiscal consolidation, and energy sector reforms. Key legislative reforms to improve the business environment have also occurred. As of September 2020, the Moody's rating agency reaffirmed Egypt's B2 status with a stable outlook,²⁰ which the government has cited as a mark of the resiliency created by its reform investment. The Minister of Finance cited "the strength of

²⁰ Moody's (2020) Rating action: Moody's affirms Egypt's B2 status. https://www.moodys.com/research/Moodys-affirms-Egypt-B2-rating-outlook-stable--PR_424141

institutional performance and governance”²¹ as drivers of some of the positive indicators. This momentum and relative success will hopefully have the effect of encouraging continued public administration and good governance reforms.

USAID’s interventions under this strategy will improve the efficiency of institutions to deliver services and support key reforms that advance economic growth. Supporting the GOE reform agenda is a strategic choice by USAID to support and partner with national-level decision-makers who have the mandate to set the national reform agenda and to roll out public administration reforms to scale. USAID is also supporting the GOE in implementing an ambitious education reform program (Education 2.0) that will equip youth with the skills and knowledge needed to contribute in a more competitive labor market.

USAID will work at the community level to address normative barriers to the participation of youth, women, and underrepresented communities in the workforce. USAID will also seek to pilot innovative economic growth programming in partnership with the private sector to expand opportunities for gainful employment for youth and women. When pilots are successful, USAID will seek partnerships to scale these activities.

Several challenges currently limit the GOE’s ability to finance its own development. Increasing population rates,²² limited revenues in the fiscal budget,²³ a large and inefficient public sector,²⁴ and an economy in need of modernization²⁵ impact Egypt’s ability to raise and effectively use its revenue. Limited participation by women and youth in the economy presents a missed opportunity for potential economic growth. While there is a vibrant private sector, the GOE has limited experience coordinating with the private sector to drive development. USAID will

²¹ Egypt Today (Sept. 3, 2020) Moody’s rating reflects confidence on Egypt’s economy: Finance Min.

<https://www.egypttoday.com/Article/3/91597/Moody-s-rating-reflects-confidence-on-Egypt-s-economy-Finance>

²² The total fertility rate increased between 2008 and 2014, according to the Demographic and Health Survey, and Egypt’s population passed 100 million people in 2020. DHS (2014) Egypt Demographic and Health Survey 2014.

<https://dhsprogram.com/publications/publication-fr302-dhs-final-reports.cfm>

²³ Egypt’s 2020/21 budget shows increasing but limited revenue as compared with spending. MOF and UNICEF (2020) Co-published brief on State Budget for FY20/21; Including Spending on Covid-19. Transparency Brief No. 4. http://www.mof.gov.eg/MOFGallerySource/English/PDF/Budget_2020-2021/Preliminary_document_Co-published.pdf

²⁴ The IMF has categorized Egypt’s public sector as bloated and has stipulated that cost cutting in the public sector is a requirement of macroeconomic reforms. IMF (2019) Egypt: A Path Forward for Economic Prosperity.

<https://www.imf.org/en/News/Articles/2019/07/24/na072419-egypt-a-path-forward-for-economic-prosperity>

²⁵ WEF’s 2019 Global Competitiveness profile shows that Egypt ranks low in terms of macroeconomic stability and relatively low in Financial Systems. WEF (2019) The Global Competitiveness Report 2019.

http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

support the GOE in increasing its capacity to mobilize domestic resources (DO1), improve financial management at all levels (DO1 and DO3), and increase the participation of a larger, more inclusive workforce (DO2), as these are all critical to sustaining economic growth investments and supporting FSR.

Private Sector Engagement (PSE)

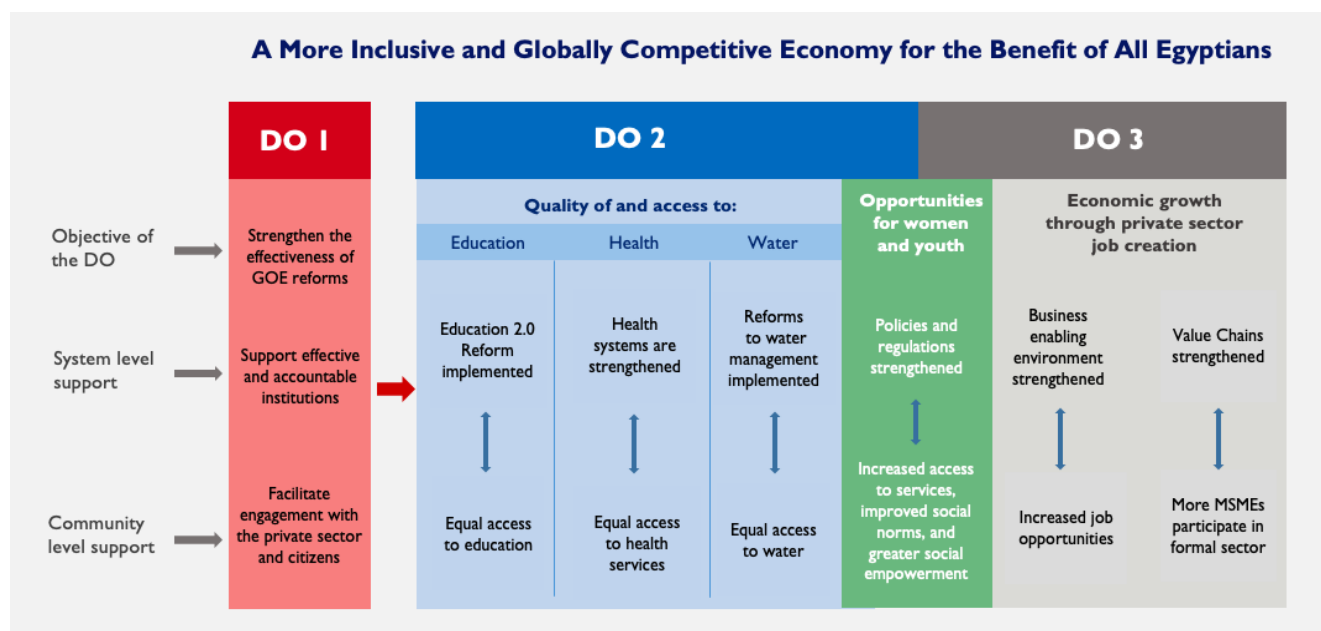
Robust PSE is crucial to achieving the Goal and DOs outlined in this CDCS. Under this strategy, the Mission will continue to accelerate its engagement with various private sector stakeholders to achieve greater development scale and longer-term impact.

Under DO1, USAID will support the GOE in consulting private sector stakeholders on governance reforms to improve the business enabling environment and to enable enterprise-driven growth. USAID will use a Public-Private Dialogue (PPD) approach to support consultative and evidence-based policy planning processes, ensuring that reforms are appropriately targeted and effectively implemented. Ultimately, this approach aims to promote investment of public resources to promote economic growth that is both enterprise-driven and inclusive of all Egyptians.

The private sector is a key partner for achieving social equity outcomes under DO2. In education, USAID will support researchers to partner with the private sector to conduct applied research that meets market needs. USAID will continue partnering with the public and private sectors to create and deliver market-relevant university and technical training education to ensure that graduates have the skills needed to succeed. In health, USAID will continue to work with employers to demonstrate the return on investment of providing employee healthcare and will work with syndicates and pharmaceutical companies to improve the quality of services in private health facilities. In the water sector, USAID will continue partnering with the Holding Company for Water and Wastewater (HCWW) and its subsidiary companies to adopt a fee-based standard that enables them to recover costs based on a private sector model as well as to explore using the private sector for billing and collection in water utilities. While interventions in this area are targeted at the household level, women in rural areas who are often in charge of domestic tasks tend to benefit the most as piped water and wastewater initiatives save time and improve children's health and hygiene.

To achieve results under DO3, the Mission will both engage the private sector in shared value partnerships and also develop private sector capacity through targeted support to address key challenges to inclusive economic growth, including the high cost of doing business and a high

unemployment rate, particularly among women and youth. At the macro level, USAID will support private sector competitiveness by promoting reforms to improve the business enabling environment and building institutional capacity to implement business-friendly policies. These interventions will stimulate investment and encourage businesses to form and expand. USAID will also work to explore alternative financing schemes to increase access to financial resources for both the GOE and the private sector, thereby contributing to improved domestic resource mobilization (DRM). At the micro level, USAID will work closely with business associations and lead firms to encourage innovation and best practices, improve productivity, support the growth of MSMEs, and promote new and expanded opportunities for trade, with additional efforts to improve the skills and employability of women and youth.



Role of Civil Society and Citizens

USAID is committed to working with civil society and the government in advancing areas of mutual interest when and where possible. Under DO2 and DO3, USAID expects to work with community-based organizations to advocate for and implement tailored programs that serve their constituencies, to include delivery of essential services and increased economic opportunities. Under DO1, USAID expects to work with the GOE to facilitate engagement with GOE entities to lay the foundation for citizen- and community-responsive service provision. Sustained citizen involvement in decision-making and a more transparent policy-making process, specifically focused on encouraging underrepresented demographics will lead to more inclusive policies and, ultimately, a more stable Egypt.

COVID-19

As of early December 2020, Egypt has recorded more than 118,000 cases and over 6,794 deaths.²⁶ COVID-19 has disrupted education, strained the healthcare system, and lowered predicted economic growth for the first time in years. The full impact is still unknown and repercussions are expected for years to come. With travel restrictions, decreased global demand for goods, and changing governmental budgets and priorities, all aspects of programming will evaluate how best to respond to specific circumstances so that USAID can support Egypt in responding to the current crisis and in preparing for future emergencies. USAID will support the Egyptian Government's efforts to curb the transmission and spread of COVID-19 through strengthening infection control procedures, enhancing surveillance and case detection, and scaling laboratories in health facilities.

COVID-19 has underscored the importance of digital technology in essential service delivery. The pandemic accelerated the digital transformation efforts previously underway, and made clear the need for more transparency and coordination in data and information collection. Cross-cutting throughout the CDCS is support to the GOE's National Digitization Strategy, which aims to support Egypt's transition to a competitive knowledge-based economy by modernizing public institutions and services and building a creative and innovative ICT industry. COVID-19 has also highlighted the need to support MSMEs that are struggling to survive the economic slowdown. USAID will provide support to MSMEs in targeted value chains to help them withstand and recover from these economic difficulties, including introducing and using online and digital solutions to support them to access information and expanded markets. USAID also anticipates assisting firms in regional and global supply chains to adapt to rapidly changing conditions due to COVID-19. The Mission will explore opportunities to partner with the private sector in developing innovative ICT solutions to ensure access to information, to connect to markets, and to manage disruptions in the global economy. USAID will operationalize elements of the Agency's Digital Strategy in strengthening Egypt's digital ecosystem and responsible use of digital technology in development programming.

The Mission expects to continue to assess the impact of COVID-19 through Portfolio Reviews, CDCS Midcourse Stocktaking, discussions with the GOE on evolving priorities, and other periodic reviews and assessments.

²⁶ Johns Hopkins University (accessed Dec. 6, 2020) COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE). <https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

IV. Results Framework

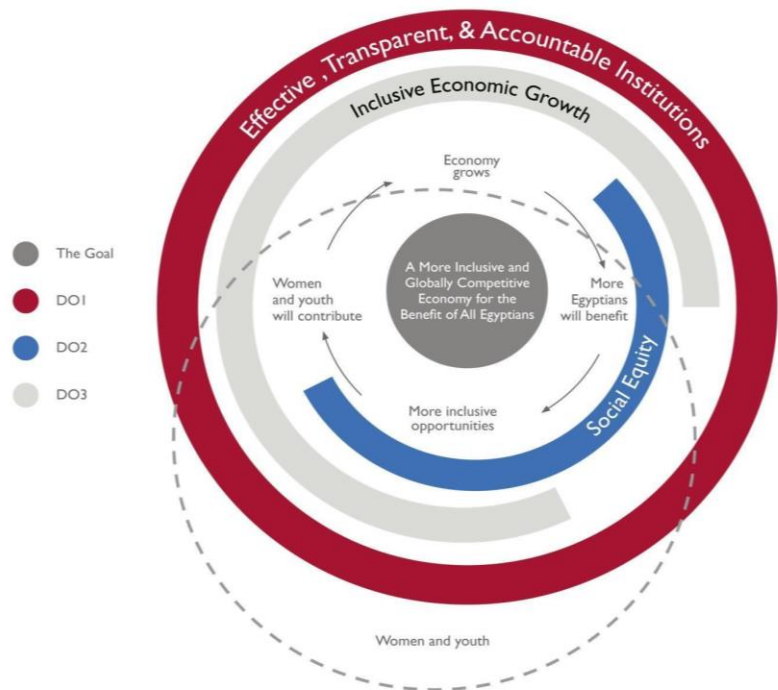
Goal

The Goal of the CDCS is: “A more inclusive and globally competitive economy for the benefit of all Egyptians.”

USAID has identified three overarching DOs that will contribute to the achievement of the Goal:

1. Effectiveness of Reforms of Key GOE Entities Strengthened;
2. Enabling Conditions Promoting Social Equity Improved; and
3. Inclusive Economic Development Accelerated.

DOI works on systems strengthening by increasing the effectiveness and accountability of government institutions. DO2 focuses on both institutional and community-level efforts to improve social equity through increased access to and quality of basic services so that Egyptians are able to participate in and benefit from the economy. Concurrently, DO3 works to improve the enabling business environment that creates and sustains private sector-led growth, especially for MSMEs, and connects Egyptians to better job opportunities.



Development Objectives

DOI: Effectiveness of Reforms of Key GOE Entities Strengthened

Development Hypothesis: IF USAID supports the GOE in its institutional capacity building and efforts to improve effectiveness and accountability, THEN GOE reforms will be accelerated and operationalized which will create the enabling environment needed for inclusive socioeconomic development and sustainable growth.

Over the last five years, the GOE has pursued an unprecedented economic reform program. However, structural reforms aimed at improving the macro-economic investment environment cannot result in sustained, inclusive growth without pairing them with steps to reduce corruption, make government policy planning more inclusive and transparent, and expand access to more efficient public services. In 2016, Egypt committed to economic and public administration reforms through the SDS Vision 2030 and the US\$12 billion EFF from the IMF. The GOE is committed to continuing to implement its ambitious plan to modernize public administration, streamline processes, reduce corruption, and improve citizen services. The GOE's performance targets will help USAID incentivize commitments and improve governance management, public service capacity, access to government services, and judicial efficiency.

SELECT 2019 WORLD BANK WORLDWIDE GOVERNANCE INDICATORS FOR EGYPT	
Percentiles (Scale 0-100)	
GOVERNMENT EFFECTIVENESS	36.5
REGULATORY QUALITY	18.7
RULE OF LAW	37.9
CONTROL OF CORRUPTION	27.8
VOICE AND ACCOUNTABILITY	8.3
POLITICAL STABILITY/ NO VIOLENCE	12.8

The GOE has identified the World Bank's Worldwide Governance Indicators (WGIs)²⁷ as a means to track the country's performance and improve its ranking on different investment criteria. To help the GOE improve its rankings, USAID will partner with select GOE ministries to increase government efficiency and accountability, streamline business and investment-related registration procedures, and enforce anti-corruption measures. This close partnership and shared goals will also support USAID to incentivize the GOE's continuous commitment going forward and to advance Egypt.

The GOE has committed to fighting corruption and improving government transparency and has included these as priority areas in its SDS Vision 2030 as well as through the National Anti-Corruption Strategy 2019-2022.²⁸ The GOE strategy articulates a comprehensive

²⁷ World Bank (2020) Worldwide Governance Indicators. <https://databank.worldbank.org/source/worldwide-governance-indicators>

²⁸ Government of Egypt – Sub-Coordinating Committee for the Prevention and Combating of Corruption (2018). Egyptian National Anti-Corruption Strategy 2019-2022.

set of objectives that integrate areas ranging from budgetary transparency to public sector automation. DOI seeks to align with the GOE's strategy, including efficient and effective public administration, quality public services, promoting transparency and integrity in the government, and modernization of judicial systems. The Administrative Control Authority oversees the implementation and monitoring of this national public administration anti-corruption strategy.

By strengthening the effectiveness of GOE reforms, USAID expects to lay the foundation for a more transparent business model that will help the GOE link economic and public administration reforms to evidence-based planning and policies. USAID defines effectiveness of reforms as perceptions of the quality of public services and reforms implemented by the GOE that meet the articulated needs of the constituents it serves to include, GOE civil servants, the private sector, civil society, and individual citizens. The GOE has requested USAID support in creating feedback loops between service providers in the government and service consumers, including the business community, think tanks, and citizens. DOI will seek to partner with both the public and private sectors to develop and institute new and innovative public service delivery systems that enhance how the two sectors conduct business together, with the aim to reduce costs and lessen petty corruption. Supporting these institutions will have a multiplier effect across the results framework by creating stronger governance structures that ultimately facilitate achievement of all the DOs in pursuit of the CDCS Goal. GOE investments in automation and ICT infrastructure will drive increased transparency, information-sharing, and data management. By helping the GOE establish and implement systems for monitoring key performance targets and indicators, USAID will strengthen the GOE's capacity to increase effectiveness of key institutions.

Intermediate Results

IR 1.1 Effectiveness of Key Entities Increased

Intermediate Result (IR) 1.1 will work with key GOE institutions, such as the Ministry of Planning and Economic Development, the Administrative Control Authority, the General Authority for Investment, and selected government ministries working on economic investments to improve the effectiveness of GOE-wide administration and promote a better business and investment environment. USAID will support these GOE entities to mobilize resources for effective public financial management, improving Egypt's ability to FSR. The Mission will also support ministries to amend and institutionalize improved processes and streamline and improve policy frameworks to support the efficient use of public resources to be more responsive to citizens' needs.

IR 1.2 Accountability of Key Entities Improved

IR 1.2 will support the GOE in implementing its four-year National Anti-Corruption Strategy, facilitating evidence-based policy-planning, strengthening consultative decision-making between the GOE, its citizens, and the private sector, and improving the performance monitoring systems of key institutions. This presents an opportunity to support incremental progress toward a more effective and transparent government. USAID will assist select GOE entities to improve the performance and monitoring of public administration reform by developing institutional frameworks and clear channels for accountability. USAID will support the development of the GOE's knowledge and performance management systems to facilitate government coordination across and within ministries as well as to track public administration performance against key benchmarks.

DO2: Enabling Conditions Promoting Social Equity Improved

Development Hypothesis Statement: IF USAID strengthens GOE systems to improve the quality and relevance of education, improve health outcomes, improve water and sanitation quality and use, and increase women's social empowerment, THEN Egypt will achieve the enabling conditions needed for inclusive social and economic participation.

DO2 will focus on both institutional and community-level efforts to improve social equity through increased access to and quality of basic services so that Egyptians are able to participate in and benefit from the economy. This focus on government institutional strengthening creates the conditions for social equity, meaning “the fair and equitable distribution of public services and implementation of public policy.”²⁹

DO2 targets sectors where USAID has a comparative advantage and where GOE commitment is high: education, health, clean and sustainable water use, sanitation, and women's empowerment. When fair, equitable GOE policies and programs support a society that is healthy, well educated, empowered, and more inclusive, its citizens will be better positioned to participate in and benefit from Egypt's globally competitive economy.

²⁹ McSherry, Bernadette (2013) “What Is Social Equity?” University of Melbourne Social Equity Institute. <https://socialequity.unimelb.edu.au/stories/what-is-social-equity>

This DO will support the GOE to implement policies and programs that are inclusive of marginalized and vulnerable populations, such as women, youth, and historically underserved geographies. In particular, this DO will address women’s empowerment by supporting Egyptian women to overcome the barriers to their well-being and human capital development. This DO also prioritizes the cross-cutting issue of women’s empowerment as a core tenet that is critical to achieving social equity. Enhancing women’s status in the family and community, participation in decision-making, access to government services, and protection from violence against women and girls (VAWG)³⁰ will create the societal conditions for women to contribute to and reap the rewards of Egypt’s economic growth. Through community outreach, this DO will also raise awareness about these services to increase Egyptians' demand for and uptake of these services and to improve government accountability. This will lay the foundation for more equitable access to and quality of public services.

Education

With 23.5 million pre-university students, Egypt has the largest school system in the Middle East. The most crucial measure of an education system’s quality is learning outcomes, and, in Egypt, students are not mastering the foundational, technical, and market-relevant skills needed to contribute to the economy. The typical student completes 11 years of schooling but only acquires the equivalent of 6.3 learning-adjusted years of schooling.³¹ This large school-age population has enormous and largely untapped potential to contribute to Egypt’s economic growth if students can gain the skills required by the labor market.



In recent years, the Ministry of Education and Technical Education (MoETE) has shown strong commitment to improving the quality of education. In 2018, the Ministry began implementing its groundbreaking “Education 2.0” reform that shifts teaching methodology away from rote memorization toward critical thinking to support students to more successfully participate in

³⁰ USAID/Egypt uses “Violence Against Women and Girls” to align with GOE strategy and policy documents.

³¹ World Bank (2018). Arab Republic of Egypt: Human Capital Index Rank.
https://databank.worldbank.org/data/download/hci/HCI_2pager_EGY.pdf

the labor market. Egypt's financial commitment to education is high, too. In September 2020, the GOE announced a 14.8 percent increase to its basic and higher education budget.

Technology is central to the Ministry's reform agenda, and the COVID-19 pandemic has accelerated the introduction and acceptance of technology for distance education. As the Ministry continues to implement its plans, it seeks technical assistance in key areas such as education technology, teacher professional development, and inclusive education. USAID will leverage this high commitment to quality education to build the GOE's capacity to realize these shared goals and to strengthen national systems.

In higher education, universities have expanded rapidly and have challenged the GOE to provide quality education at scale. Universities are underfunded and misaligned with employers' needs, so graduates do not gain the skills needed to parlay their degrees into meaningful employment. Unemployment among university graduates is high, and 69 percent of workers with intermediate certificates and university degrees are unemployed. Access to education is a challenge for students from disadvantaged backgrounds who often lack opportunities or resources to study at the best universities. Additionally, given Egypt's labor market dynamics, there is a clear need to expand and improve technical and vocational education in Egypt. Graduates of vocational education in Egypt are ill-prepared with market-relevant skills to enter the workforce.

Despite these challenges, higher education institutions have incredible potential to drive Egypt's human capital development, economic growth, and prosperity. If universities prepare students with the skills demanded in the private sector and conduct research that solves market and development challenges, then Egypt will have the highly-skilled workforce and innovations needed to drive its knowledge-based economy. USAID efforts to institutionalize new areas of study, applied research programs, and student services within university systems will transform the way that universities provide quality education and build graduates' workforce skills.

The private sector is deeply engaged and committed to increasing the market-relevance of education. Current USAID activities have brought together 45 private sector partners and 10 Egyptian public universities to connect graduates with employability skills and opportunities. USAID will continue to link the private sector and Egyptian universities to make university curricula market-relevant, connect graduates to jobs, and conduct applied research that fulfills market needs.

Health

Health sector challenges have cross-sectoral implications for Egypt's ability to provide essential services to its citizens and to achieve economic growth. Continued population growth places unsustainable pressures on health infrastructure, education, access to natural resources, economic opportunities, and overextends Egypt's limited resources. Reversing a more than 25-year pattern of declining fertility rates, Egypt's total fertility rate rose substantially between 2008 and 2014 from 3.0 to 3.5 births per woman, according to Egypt's Demographic and Health Survey.³² Childbearing begins early for many Egyptian women; more than one-quarter of women aged 25-49 had their first birth by age 20 and 45 percent gave birth by age 22.³³

The GOE is highly committed to addressing rapid population growth and is prioritizing voluntary family planning efforts. President Sisi has expressed that "population growth is the biggest economic challenge that Egypt faces today." To address this challenge, the National Population Council developed the GOE's National Population Strategy 2015-2030 that requires a comprehensive implementation plan for areas in Upper Egypt with high rates of population growth. As a result, recent World Bank statistics, linked to the secondary metrics, show that the government's efforts succeeded to slightly reduce the total fertility rate to 3.3 births per woman in 2018, down from 3.5 in 2014.³⁴ The GOE's National Population Strategy has four pillars: strengthening access to family planning and reproductive health; fostering youth and adolescents' health and civic engagement; advancing women's economic empowerment; and strengthening girls' education. USAID's investments under this DO will support the GOE's approach to voluntary family planning efforts.

Another health sector challenge for Egypt is the continued impact of the COVID-19 pandemic and the country's capacity to fight future emerging pandemic diseases. The pandemic has had severe impacts on Egypt's health system, and it has revealed the necessity of strengthening Egypt's capacity to respond to emerging public health threats and to conduct disease surveillance. In response to COVID-19, President Sisi appointed an advisor for health affairs and committed to addressing "emerging and reemerging public health threats." In March 2020, the Ministry of Health and Population (MoHP) developed Egypt's Country Preparedness and Response Plan to COVID-19.

³² DHS (2014) Egypt Demographic and Health Survey 2014. <https://dhsprogram.com/publications/publication-fr302-dhs-final-reports.cfm>

³³ Ibid.

³⁴ World Bank (2018) Fertility rate, total (births per woman)- Egypt, Arab Rep. <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=EG>

Additionally, the health sector also lacks current data necessary for a data-driven health management system. As a result of USAID and other donor advocacy, the GOE recently announced the development of “Egypt’s Family and Health Survey” that will build on previous Demographic Health Surveys and provide updated and relevant data on health and demographic indicators.

To address these health challenges, USAID will increase access to and the quality of voluntary family planning services and will support the GOE in improving voluntary family planning and reproductive health behaviors within target populations. USAID will strengthen evidence-based planning, decision-making, policy formulation, and will facilitate improvements in the management of health information systems. USAID will also support the GOE to strengthen its health surveillance systems in anticipation of new strains of infectious diseases.

Water and Sanitation

USAID’s previous activities in the water and wastewater sector supported the GOE to provide piped water on premises to more than 97 percent of Egyptians and connections to sewer systems for 60 percent of households. But these impressive statistics mask inequities between some urban and rural areas, with households distant from the Nile having little access to quality water and sanitation services. In addition, unsustainable population growth and climate change threaten the long-term availability of essential water resources. Population growth and climate change will also dramatically impact water availability as Egypt is one of the most arid countries in the world.

USAID’s water interventions are essential to help Egypt advance on the AQUASTAT water stress indicators,³⁵ the UN’s Food and Agricultural Organization’s (FAO) global water resources database, and one of the secondary metrics indices. Egypt’s renewable water resources are estimated to be around 600 cubic meters per year per person, which puts the country just above the severe water scarcity level defined as 500 cubic meters per year per person.³⁶ Egypt’s most effective option for increasing the amount of water at its disposal is to increase water reuse, and this DO will support this objective by improving wastewater quality

³⁵ U.N. Food and Agriculture Organization (FAO) (Accessed Oct. 2020) AQUASTAT Egypt. http://www.fao.org/nr/water/aquastat/countries_regions/egy/printI.stm

³⁶ EcoMENA (2018) Egypt’s water crisis and degeneration of the Nile. <https://www.ecomena.org/egypt-nile/#:~:text=Egypt%20is%20struggling%20to%20cope,threshold%20for%20absolute%20water%20scarcity.>

before it returns to the Nile and waterways. This could effectively increase Egypt's supply of clean water by up to 10 percent.

By focusing our efforts under this DO on sanitation in rural areas, USAID activities will support Egypt's water security and also address dramatic social inequities in access to quality sanitation services that exist between



urban and rural populations. Additionally, this DO will support the GOE's efforts to reduce water that is being consumed but not paid for because of broken water meters, administrative problems with billing customers, or illegal water connections. In particular, the agricultural sector uses over 70 percent of Egypt's available water, so water rationalization in agriculture is critical for Egypt to better use its limited water supply. To achieve cost efficiency, HCWW is adopting an enterprise-driven formula, where subsidiary companies adopt a fee-based model that enables them to recover their operation and maintenance costs and sustain high-quality services. At the same time, levied tariffs enable the water companies to provide the water and wastewater services to citizens at an affordable rate.

This approach adheres to the GOE's National Water Resource Plan 2037 that prioritizes both water quality and water reuse. This GOE plan signals government alignment with USAID objectives and approaches under this DO. This also aligns with the USG Global Water Strategy, particularly under Strategic Objective 4: Strengthen Water Sector Institutions.

Women's Empowerment

Women's social empowerment is cross-cutting in this DO, and interventions in education, health, and water and sanitation will accelerate this cultural and attitudinal shift. Access to basic education will support Egypt's most marginalized girls to attain foundational learning, and access to university scholarships will enable disadvantaged women to gain the necessary skills to attain employment. Voluntary family planning will empower women to participate in the workforce by enabling them to decide when and how many children to have, and by reducing women's

absenteeism and dropout from the workforce. Access to clean water will improve family health metrics and free up time spent accessing this resource.

Women in Egypt face multiple barriers to their equal participation in Egyptian society. Egypt ranks 134th out of the 153 countries in the Global Gender Gap Index.³⁷

USAID's interventions will empower women and girls. USAID's approach under this DO supports two pillars of Egypt's National Strategy for the Empowerment of Egyptian Women 2030: 1) women's social empowerment by enabling opportunities for the wider social participation of women; and 2) women's protection by eliminating the negative practices that threaten women's lives, safety, and contribution to social development. USAID will partner with the National Council for Women and the Ministry of Social Solidarity to support interventions that change the cultural attitudes that impede women's contribution to social development. USAID will also seek to strengthen women's social protection programming. To offset the immediate impacts of macroeconomic reforms, Takaful and Karama, a conditional cash transfer program, was launched by the GOE in 2015. These programs target households with children and the most vulnerable. USAID's women's social protection efforts are aligned with the goals of these programs to increase women's empowerment and improve social equity.

TO SUPPORT WOMEN'S EMPOWERMENT, A HOLISTIC APPROACH IS NEEDED

Women experience disproportionately low rates of employment and face numerous systemic sociocultural and economic roadblocks that inhibit them from fulfilling their potential. To make progress, cross-cutting programming will include:

- ACCESS TO QUALITY HEALTHCARE, EDUCATION, AND WATER & SANITATION** 
- REPRESENTATION IN DECISION-MAKING ROLES** 
- PROTECTION & POLICIES** 
- TRAINING & SKILLS DEVELOPMENT** 
- INCREASED ECONOMIC OPPORTUNITIES** 

USAID will support women's empowerment by enhancing women's status in the family and community, participation in decision-making, and access to government services. USAID will also work to prevent and respond to all forms of VAWG, and trafficking in persons. These

³⁷ World Economic Forum (2020) Global Gender Gap Index.
http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

efforts will create the enabling environment and protections necessary to increase women's social and economic participation.

Intermediate Results

IR 2.1 Quality of Education Improved

Under the IR 2.1, USAID will partner with MoETE to improve the quality of education at all levels: basic education, technical education, and higher education. In basic and technical education, USAID will accelerate the Ministry's Education 2.0 reform by supporting the GOE to implement and sustain the policies and programs that are essential for quality education. In higher education, USAID will work with universities and the private sector to modernize curricula, institutionalize degree programs in fields essential to Egypt's development, and support students' mastery of the market-relevant skills and competencies needed to contribute to Egypt's economic growth.

Finally, USAID will increase universities' capacity for applied research and innovation, including research covering climate change and clean/renewable energy. USAID will bring together universities and private sector partners so that applied research helps to solve Egypt's development challenges and gives the private sector the research basis needed for developing and manufacturing products locally.

IR 2.2 Targeted Health Outcomes Improved

Under IR 2.2, USAID will work with the MoHP and other relevant GOE partners and the private sector to improve access to and quality of targeted quality health services, support positive health behavior change, and implement a data-driven health management system.

To effectively address population growth in Egypt, USAID will work with the private sector to build successful and innovative partnerships that increase access to quality voluntary family planning and reproductive health services. Employers have a strong interest in a healthy workforce, and programming to date has lowered worker absenteeism, increased productivity,

and reduced staff turnover. USAID will engage the private sector to scale successful interventions.

USAID will also support the GOE's efforts to implement the Egypt Country Preparedness and Response Plan to COVID-19 and to strengthen the GOE's health systems to better respond to COVID-19 and other emerging and reemerging public health threats. Behavior change is essential to family planning and seeking health care, and the COVID-19 pandemic has shown how critical behavior change is for Egyptians to stop the spread of infectious disease. Our programming will promote adoption of healthy behaviors for better health outcomes.

IR 2.3 Sustainable Water and Sanitation Services Improved

Under IR 2.3, USAID will work with key GOE counterparts, parastatal partners, the private sector, and local communities to increase access to water and sanitation services in underserved areas, improve quality of water and sanitation management systems, and support the GOE's adoption of water rationalization policies, where needed. USAID will partner with the GOE to enhance revenue and cost recovery, maintain infrastructure improvements, and advance water management policies to increase water reuse by improving the quality of wastewater treatment that returns to the Nile and other waterways. This IR will work with DO3 to encourage more efficient water use in agriculture through promotion of less water-intensive crops and improved irrigation technologies. USAID will work closely with GOE counterparts and the private sector to develop and scale up innovative solutions to address water scarcity.

IR 2.4 Women's Social Empowerment Increased

USAID will address social empowerment by supporting behavior change efforts that facilitate a shift in the cultural attitudes that form barriers to women's contribution to social development. USAID will work with the National Council for Women, the Ministry of Social Solidarity, think tanks, and community-based organizations to implement programs that focus on addressing behaviors that impede women's participation in their communities and the economy. USAID will also address women's social protection by combatting all forms of VAWG and trafficking in persons (including early and forced marriage). These efforts will support the elimination of VAWG and protect them from environmental risks that have adverse social and/or economic effects on their livelihoods. By supporting and sustaining cross-cutting social protection services, and behavior change interventions, women will be empowered to participate in social and economic life and take advantage of the economic opportunities described in DO3.

DO3: Inclusive Economic Development Accelerated

Development Hypothesis Statement: IF the business enabling environment is improved to facilitate private sector growth and job creation, selected value chains are supported to enhance competitiveness, and women, youth, and other marginalized groups are supported to build their market relevant skills and capitalize on their opportunities – with support from USAID and complementary efforts from other development partners – THEN women, youth, and other marginalized populations in Egypt will be empowered to contribute to and reap the benefits of a diverse and growing economy.

Inclusive economic development is critical to achieving the CDCS Goal. To ensure that more of Egypt's citizens graduate out of poverty and enjoy increased prosperity, the economy will have to grow and become more sophisticated, with more complex products and services, therefore requiring more and higher-skilled workers. Egypt will also need to attract increased domestic and foreign investment, particularly from the private sector. At the same time, Egypt needs more and higher-quality participation by women, youth, and other marginalized populations to grow the economy and to ensure that the benefits of economic growth are more equitably received.

Egypt's ranking in the World Bank's Doing Business report has remained static over the last 10 years. It ranked 120th out of 190 countries in 2019, down from 114th out of 181 in 2009. Trading across borders (171st), paying taxes (159th), and enforcing contracts (160th) are among the main challenges that Egypt's business environment faces, according to the report.³⁸ These rankings indicate a business environment in need of reform.

MIT University's Atlas of Economic Complexity ranks Egypt's product complexity at only 72nd out of 125 countries.³⁹ Egypt's export complexity has not changed much since the mid-1980s, and it continues to produce mostly raw, low-priced goods, while Egypt continues to consume finished, higher-priced goods from abroad. Relatedly, according to the World Economic Forum (WEF), Egypt's competitiveness declined during the past 10 years, ranking 96th out of 125 countries in 2019 down from 81st out of 134 countries in 2008/09. Egypt's competitiveness is stifled by its low rank in the indicators related to graduates' employability (123/125), lifelong

³⁸ World Bank (2020) Doing Business 2020. Egypt.

<https://www.doingbusiness.org/content/dam/doingBusiness/country/e/egypt/EGY.pdf>

³⁹ MIT University, OEC (2018) <https://oec.world/en/profile/country/egy>

learning (123/125), internal openness, including social inclusion and gender equality (118/125), and the quality of regulatory environment (116/125).⁴⁰

Based on a review of data sources, numerous consultations with key stakeholders, and incorporation of USAID and GOE priorities, USAID has chosen to focus its work under this DO on three interrelated and complementary areas that will bring about the desired result of “inclusive economic development accelerated.”

The business environment is a crucial overarching component that establishes regulations, processes, and policies that facilitate doing business. An improved enabling environment, including macroeconomic stability, will encourage both foreign and domestic investment, particularly by the private sector and will help expand the country’s trade opportunities. USAID will work with GOE institutions to help them make changes to laws, regulations, and processes that will make it easier to do business in Egypt. USAID’s programming will specifically align with Egypt’s National Debt Strategy developed by the GOE’s Ministry of Finance to reduce debt to 80 percent of GDP by 2022. Through this strategy, the GOE plans to prolong debt maturities and has set targets for growth and deficits. The strategy is focused on diversifying the sources of financing through instruments such as Islamic finance for ‘sukuk’, green bonds, corridor-linked bonds, and inflation-linked bonds to finance development and infrastructure projects. This DO aligns with this strategy by supporting improvements in public financial management and fiscal risk management, and expanding the role of public-private partnerships in financing public investments. This will also help Egypt evolve toward becoming a growing, knowledge-based economy. As much as reforms strip away the barriers hindering private sector-led growth, there is a corresponding need to ensure that these reforms are informed by relevant stakeholders. USAID will help firms and business associations to engage in dialogue with the government to shape the nature of the reforms.

Private sector investment constitutes only 7.1 percent of the GDP. Programming to support an enabling environment must be accompanied by interventions to upgrade private sector competitiveness, such as firms’ ability to increase investment, improve their productivity, trade more on the local and international markets, and employ more labor. These investment and employment decisions will be encouraged with an improved business environment. The private sector should be adequately equipped and economically empowered to take a more prominent role in driving economic growth through innovation and should be the source of increased

⁴⁰ World Economic Forum (2019) The Global Competitiveness Report 2019.
http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

employment opportunities, especially for women and youth. In order to maximize results under this DO, USAID will focus on certain value chains. The selection of these value chains will be based on criteria such as the opportunity for growth, potential for employment or livelihoods for women, youth, and other marginalized people, USAID's ongoing work in particular value chains, and GOE priorities.

Even as USAID is encouraging business-friendly policies and regulations and helping firms to lower costs and increase sales, there is a need to equip and empower youth, women, and other marginalized groups to be able to access employment opportunities or to grow their businesses to be an active part of the economy. USAID's interventions under this DO will focus on ensuring that economic development efforts increase inclusion of otherwise marginalized communities. This means that women in particular are supported to contribute to economic growth and that they reap the benefits of increased prosperity. Youth are also supported with more relevant, quality education and training to improve their skills and employment opportunities. In partnership with MIC, the National Council for Women, and the private sector, USAID will support GOE policies to increase women's participation in the formal economy, expand women's access to financial products and services, and increase women's leadership opportunities in the private sector.

USAID will address the root causes of lower levels of participation by women and youth in the workforce. While mindset change is needed, some industries already understand the value of having more women in the workforce. USAID will help firms find new and innovative approaches to reduce these constraints, such as the costs of hiring and retaining women. With specific successes at the firm level to point to, USAID then helps these businesses to advocate to the GOE on these issues.

The complementary work under the three IRs will help to achieve the DO3. Success under DO3 requires close and frequent engagement with a variety of actors, including GOE entities, industry associations, and individual firms.

Partnering with the GOE

DO3 activities will complement DO1 systems strengthening efforts by incorporating select retail-level efforts intended to stimulate higher-level changes (such as at the policy or sector level) and thus affect the economy at the wholesale level. For example, when USAID works with firms and business associations under IR 3.2 and IR 3.3, USAID will also bring in the relevant government entity to work together through a particular intervention. In this way, the

government and business associations can see which interventions work and how they can be replicated. Success breeds interest and can open opportunities for broader reforms where they may not have been before. Given DOI's emphasis on improving targeted GOE governance structures to facilitate increased foreign and domestic private sector investment, there will be opportunities for activities and stakeholders targeted under DO3 to participate in the critical feedback loops to inform and promote a better business and investment environment. Accordingly, USAID will take a long-term view and continue to refine and strengthen relationships with selected GOE entities that have the mandate to implement reforms in our areas of interest.

Intermediate Results

IR 3.1 Business Enabling Environment Improved

Under IR 3.1, USAID will work on macroeconomic reform efforts to reduce market distortions and ease the cost of doing business for the private sector. USAID will partner with the GOE and international organizations, particularly the World Bank Group and the IMF, to encourage investment and incentivize businesses to become formal; hence, improving their access to finance and international markets. In order to enable sustainable growth, the GOE needs to provide a policy environment that enables businesses to formalize and grow. Laws and regulations limiting the entry, operation, and exit of new businesses should be reduced to make business procedures more transparent, streamlined, and consistently enforced. USAID will support capacity building of targeted GOE economic institutions, such as the Ministry of Trade and Industry, General Authority of Investment and Free Zones, the Customs Authority, and the MSME Development Agency, to formulate and implement business-friendly policies, including policies that incentivize more inclusive hiring. It will also work to explore alternative financing schemes to increase access to financial resources for both the GOE and the private sector, thereby contributing to improved DRM. USAID's work with players in the selected value chains, firms, and industry associations in IRs 3.2 and 3.3 substantially informs the specific reforms USAID supports under this IR.

IR 3.2 Private Sector Competitiveness in Selected Value Chains Enhanced

The private sector, especially MSMEs, needs support in order to grow. By enhancing the private sector's performance, Egypt's economy will grow, create more jobs, and increase its global competitiveness. IR 3.2 will work with stakeholders, such as the Federation of Egyptian Industries and export councils, and will focus on those value chains that employ or have the

potential to employ more women and youth, are competitive, and/or show high growth potential. In selected value chains, USAID will expand private sector productivity and innovation, enhance MSME growth and market connections, and strengthen the network of trade councils and business associations working in the space. In cases where USAID works with specific firms, it will do so together with relevant industry associations and government entities so that these groups learn new techniques and replicate successful ones. USAID will support firms and business associations to articulate and advocate for their needs to the national government, thereby informing the improvements to the business enabling environment in IR 3.1.

IR 3.3 Economic Empowerment and Opportunities for Women and Youth Expanded

Under IR 3.3, women and youth are a particular focus because they both experience high unemployment rates. USAID will work to improve the market-relevant skills and employability of women and youth. Similar to its approach in IR 3.2, USAID will simultaneously partner with individual firms, business associations, Egyptian universities, technical/vocational schools, and the GOE, especially MoETE, to apply new and innovative means to reduce the barriers for women and youth. In this way, there will be a strong demonstration effect and successful practices can be multiplied. Building on successes at the firm level, USAID will support the private sector to advocate for changes to laws and regulations that will reduce the barriers to economic participation faced by women and youth. This will similarly connect with and bolster efforts under IR 3.1. The connection between IR 3.2 and 3.3 is robust because a lack of skilled and trained employees is a constraint for most firms. Programming to support and increase the number of skilled women, youth, and others benefits not just the people themselves but also the firms.

In partnership with private sector and relevant GOE entities, USAID will improve the employability of these important segments of the population by supporting interventions like internships, career placement services, and soft skills and vocational training, as well as supporting private sector actors to practice more inclusive hiring. USAID will support skills development behavior change initiatives to promote economic empowerment. With linkages to DO2, USAID's investments in the education sector will also play a major role as secondary and tertiary curricula need to be more responsive to market needs and better prepare students for knowledge-based jobs. USAID will seek opportunities to complement the GOE's "Closing the Gender Gap Accelerator" to increase women's participation in the formal economy, expand women's access to financial products and services, and reduce VAWG.

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V. Monitoring, Evaluation, and Learning

Clear outcome indicators measuring USAID's attribution will be developed in the Performance Monitoring Plan (PMP). USAID will prioritize stakeholder involvement and collaboration in all phases of the Learning Cycle of aligned agendas and the DOs. USAID will prioritize joint learning events that include the GOE, implementing partners, private sector representatives, and the community, and these platforms and events will include post-learning action planning to promote local ownership and self-reliance. Teams will prioritize stakeholder analysis as a critical component of the design and implementation across the program cycle.

The MEL approach will also capitalize on windows of opportunity, especially in areas where the GOE has already committed to ambitious goals (such as through the SDS Vision 2030).

Build a Robust MEL System for Learning Based on Sound Data Quality

The PMP will track and triangulate data using a balanced mix of agreed-upon USAID custom indicators, standard indicators, SDS Vision 2030 indicators, and context indicators. SDS Vision 2030 indicators will be used as context indicators and will mainly be used to answer learning questions about contributions. Clear outcome indicators measuring USAID's attribution will be developed in the PMP.

Data quality and access to data is a key condition for a mutual indicator to be incorporated into the systems. In some cases, USAID will offer to build capacity and support the improvement of digitized systems to collect, collate, verify, analyze, and report data for decision-making. USAID will also utilize innovative qualitative data collection where appropriate to further triangulate results, to help teams better understand contextual factors, and to build local capacity. The repertoire of analysis methodologies will be expanded and USAID will introduce feedback loops, outcome harvesting, most significant change, contribution analysis, gap analysis, etc. for planning and adaptive management.

Monitoring Assumptions

USAID will monitor each DO to ensure that the teams can take course correction and adaptive management measures when contextual changes warrant action. Learning agendas will assess the Mission's contributions to each DO and the aligned priorities with the SDS Vision 2030. Regular learning points will be built into the program cycle to emphasize the importance of

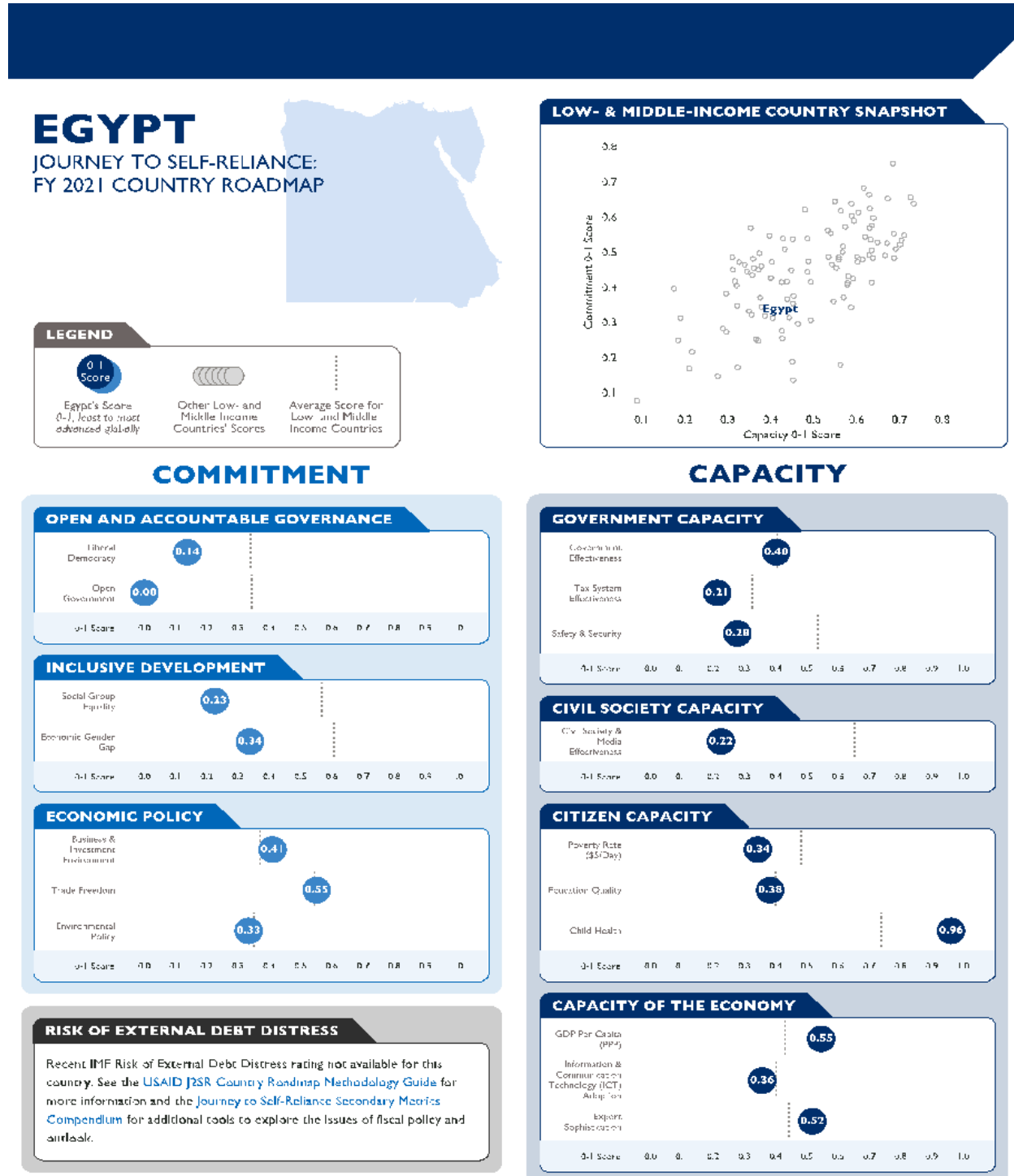
continuous cross-sectoral/cross-office communication and evidence sharing within and external to the Mission. MEL approaches will be incorporated at all levels of the Mission portfolio by providing capacity building for implementing partners and sub-grantees and for Mission staff on how to manage adaptively. This will be especially emphasized in areas of integrated programming where cross-office/cross-sectoral teams will have consistent check-in meetings to share findings, assess data for decision-making, and jointly plan for how to use information and findings to make strategic adaptations.

This approach will ensure that the Mission is equipped to quickly react to changing conditions in the field and local context, and to adjust programming to maximize results. It will enable key stakeholders⁴¹ to take an analytical, objective, and evidence-based approach to managing projects and activities adaptively and it will track progress, hold implementing partners accountable, and continuously improve programming. The PMP will build on the learning agendas that have been developed for the CDCS and will provide further details of how the approach will be implemented.

⁴¹ Stakeholders include activity managers, project managers, senior leadership and MEL points of contact, partners, IPs, the GOE, private sectors actors, and others who have a “stake” in the success of achieving the DOs.

VIII. Annex

Annex A: Journey to Self-Reliance Country Roadmap



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USAID/Egypt Country Development
Cooperation Strategy
2020-2025

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