

Summary Analysis of Value Chains Assessment and Priorities for Interventions

1. Introduction

The purpose of this summary analysis is to present the USAID SEED Project's recommendations regarding priorities for working on value chains (VCs). This note also includes proposed interventions as well as potential mezzanine organizations to work with in implementing the proposed interventions. This proposal is based on reviewing reports submitted by SEED subcontractor Dcode and other reports and secondary source information we have obtained as well as from meetings with potential counterparts.

The report is not intended to fill-in gaps in the work conducted by Dcode (e.g. absence of detailed mapping, stakeholder capacity assessments, etc.). It rather focusses on a practical approach to fast-track the launching of specific interventions addressing well-defined constraints in the proposed value chains, while at the same time pursuing to complete the assessment and mapping of the selected VCs.

The interventions proposed in this analysis are neither comprehensive nor exclusive but rather serve as an initial list to roll forward activities of integrating MSMEs in select VCs. Furthermore, the list of the VCs is not exclusive, as SEED with USAID may decide to add other VCs in the future.

2. Criteria for the analysis

We have applied three criteria in this summary analysis:

- How well-defined and clear are the constraints in the value chain based on the Dcode report and other secondary source information obtained by Component C;
- How perceived interventions are aligned with and help achieve SEED objectives, indicators and ultimately deliverables. This is very important as the ultimate goal of SEED in this area is integration of MSMEs in progressive value chains; while development of the value chain at large would require interventions with wider scope and extent; and
- Availability of partner (mezzanine) organizations to work with on implementation of the interventions needed.

3. Prioritization of value chains and interventions

SEED contract requires selection of 3 value chains to focus interventions on. Based on our analysis, SEED gives priority to five value chains to work on at different levels of extent. While Dairy, Plastics, and Automotive Parts and Accessories will have a full-menu of interventions starting from mapping and assessment, other value chains (Fisheries and RMG) will have specific interventions to address specific constraints. Widening SEED scope to five value chains will give flexibility to immediately launch interventions with some mezzanine organizations who already have basic capacity to move on while working on building capacity of other organization to engage with in implementation of interventions, which requires a longer timeframe. Down the road of implementation, SEED may recommend adding or removing a value chain based on further mapping and assessment.

4. Presentation of the summary analysis

The table below presents the identified seven value chains in priority order for USAID's SEED Project to work on. The table presents a sub sector description and brief economic indicators (as available); governmental priorities; main constraints identified by Dcode and other sources; proposed interventions from SEED's point of view; potential mezzanine organizations; and recommendations and/or justifications.

It is recommended to read this summary analysis along with the Dcode final report for further contextual understanding.

Value Chain	Government Priority	Main constraints	Potential Interventions	Potential Mezzanine Organizations	Recommendations and justification
1. Dairy Milk production and marketing is dominated mainly by the informal private sector including producers, collectors, middlemen, processors, traders, and customers. Small family producers with 1-8 cattle constitute the majority of dairy producers and are the major source of raw milk (80%-85% of milk production). 70% of milk production is traded as loose milk.	MoTI supports the Food Export Council (FEC) MoALR supports research for increasing agriculture and livestock production to increase food security (e.g. Animal Production Research Center)	<ul style="list-style-type: none"> • Poor production practices. • Fragmented milk production community and absence of modern collection, cooling, and transportation of milk. • Lack of access to finance. • Weak marketing channels and access to market information (middlemen dominate). 	<ul style="list-style-type: none"> • VC mapping • VC assessment • Building technical and managerial capacity of milk collection communities (MCCs) including market linkage. • Promote viable commercial linkages between MCCs and large milk processors. • Access to finance to small producers. • Market information system. • Dissemination of technical information of research centers to small producers. 	<ul style="list-style-type: none"> • ITC • Egyptian Milk Producers Association (EMPA) • Chamber of Food Industries • CARE Egypt • KEF 	This a typical area for adding value to the sub-sector; where most of the milk production and producers are currently lacking formalization, hygiene controls, and modern technology.
2. Plastics As of 2014, total investment in the domestic plastics	GOE investment in petrochemical sector.	<ul style="list-style-type: none"> • Poor representation or advocacy capacity for policy reform. 	<ul style="list-style-type: none"> • VC mapping (packaging materials for fisheries and agriculture, pipes and fittings for 	<ul style="list-style-type: none"> • Egyptian Plastics Exporters and Manufacturers 	Due to the foreign exchange issues, and difficulty it poses on importing raw materials,

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<p>industry amounted to \$8.7 billion with 3,000 factories (80% SMEs) employing a total work force of 52,500 people. It is estimated that at least \$160 million is invested in this industry annually. Raw materials imported 55%. Machinery imported 80%. Local production 28% of local consumption. Imported products 72%.</p>	<p>Plastics Cluster in Alex (Morhom) managed by FEI and the MoTI. This is a major effort whereby used industrial parks will be turned into a plastics cluster.</p> <p>MoTI-supported Plastic Technology Center (PTC)</p>	<ul style="list-style-type: none"> • Scarcity of trained technical manpower. • Weak linkage between medium-sized PVC tubes manufacturers and large producers of polymers due to poor cash management and procurement planning. 	<p>industries and construction, and auto plastic parts)</p> <ul style="list-style-type: none"> • VC assessment • Capacity building and market linkage training and events for factories at FEI Plastics Cluster in Alex. • Building advocacy capacity of EPEMA • Training in access to finance and cash Management. • Training in efficient Procurement planning • Training for producers of PVC tubes in backward linkage with large producers of polymers. 	<p>Associations (EPEMA)</p> <ul style="list-style-type: none"> • Chamber of Chemical Industries • ITC • The Egyptian Petrochemicals Holding company (ECHEM) • Plastic Technology Center (PTC) • Egypt National Cleaner Production Centre (ENCPC) 	<p>it is estimated that plastic production fell by 30 - 40% over 2015/2016 as the factories were operating at about 70% of their production capacity. However, data suggests potential for an increase in local production based on an increase in availability of raw materials</p>
<p>3. Fisheries and aquaculture</p> <p>Aquaculture represents 75% of Egypt's fish production and is dominated by SMEs comprising approximately 90,000 farms.</p>	<p>Establishing new fish farms in Kafr El Sheikh and Suez Canal Economic Zone.</p>	<ul style="list-style-type: none"> • Fish contamination • Irresponsible fishing behavior • Considerable waste of fishes after harvest • Inadequate information base • Inadequate research 	<p>Specific interventions focusing on three main areas:</p> <ul style="list-style-type: none"> • Enabling environment • Access to finance; especially developing new financial products relevant to the needs of fish farmers. 	<ul style="list-style-type: none"> • Union of Aquatic Cooperatives; • Egyptian Aquaculture Society; • World Fish (service provider) 	<p>In the absence of access to finance and access to market information, SME fish farms are relying and are pressured by informal financing and price controls by wholesale sellers and input suppliers.</p>

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		<ul style="list-style-type: none"> • Underdeveloped infrastructure • Insufficient access to finance • Poorly developed markets 	<ul style="list-style-type: none"> • Access to information; market information system. • Mapping and assessment of the fish processing value chain. <p><u>Note:</u> A mapping and assessment of VC through selling fresh fish to consumers was conducted by World Fish in 2014 (excluding fisheries and fish processing).</p>	<ul style="list-style-type: none"> • KEF 	In addition, poor advocacy capacity of the organizations representing the sub-sector have resulted in a non-conducive legal and regulatory framework, especially related to access to main production factors; land and water.
4. Automotive Parts and Accessories Multinational companies assembling vehicles in Egypt have contributed significantly in the development of the feeder industries by pushing a number of local suppliers to reach higher standards of quality. The Egyptian Automobile Manufacturers Association (EAMA) foresees that car manufacturers will	GOE has a draft strategy for the automotive industry that requires, among other things, increasing the local components from 45% to 60% over the next 9 years.	<ul style="list-style-type: none"> • Poor quality assurance • Weak enforcement of minimum percentage of local components 	<ul style="list-style-type: none"> • VC mapping • VC assessment • Enabling environment especially in finalizing and promoting for the new strategy and creating a regulatory body of the industry. • Support ITC in creating a MSME supplier development program that assists in linking the local suppliers with large buyers. • Select automobile manufacturers 	<ul style="list-style-type: none"> • MoTI • Egyptian Auto Feeders Association (EAFA) • EAMA • ITC • Chamber of Engineering Industries 	The new automotive industry strategy is a good opportunity for creating sustainable demand for Egyptian auto feeding industries represented mainly by SMEs.

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eventually localize more components, which will result in more quality and quantity development for local suppliers.			<ul style="list-style-type: none"> Select Tier 2 suppliers. 		
5. RMG The public sector is strongly involved in Egypt's textiles industry, especially in the weaving (60%), spinning (50%) and hemming (50%), while private companies established themselves in the RMG arena and account for about 90% of the garmenting capacity. Apparel and clothing is the largest category of goods exported under the QIZ, comprising over 90% of all QIZ exports.	Construction of a new textile city in Minya - a MOU was signed in January 2016 with the China National Textile and Apparel Council (CNTAC). Assigning US consultant Werner International to conduct a project to restructure the entire Egyptian state textile industry from ginning to ready-made garments (more than 30 companies).	<ul style="list-style-type: none"> Many productivity challenges of high turnover, absenteeism, lack of training and advisory services. Low labour productivity. Lack of investments in ginning, spinning and weaving. Difficult access to finance. The lack of strong relationships with large retailers. Poor capacity to implement quick order replenishment and lead time reduction. 	<ul style="list-style-type: none"> Capacity building and market linkage training and events for the Textile city in Minya. Building capacity of sub-sector mezzanine organizations to train SMEs in reducing lead time to overcome timely delivery limitations. 	<ul style="list-style-type: none"> Egyptian Chamber of Apparel & Home Textiles Traintex, the Egyptian Association for Training and Research Services for the RMG & Textile sector Readymade garments export council (RMGEC) ITC Textile Tech Center Readymade Garments Chamber 	This is women-intensive labor industry where the majority of enterprises are MSMEs.
6. Contract Furniture	GOE supports furniture exports	<ul style="list-style-type: none"> Low labor productivity 	A low priority for SEED to have interventions from the prospect of integration of MSMEs in progressive value chains. It is a fragmented subsector where a		

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Furnishings required by a commercial business such as hotels, hospitals, schools, and companies.	and is establishing a new furniture cluster in Damietta.	<ul style="list-style-type: none"> • Fragmented industry • Limited access to formal finance • Absence of specialized furniture assembly firms 	limited number of office or business furniture manufacturers are competing to access business clients without recognized horizontal linkages in a value chain.		
7. Solid Waste Management Municipal Solid Waste (MSW), commonly known as trash or garbage, consists of everyday items we use and then throw away, such as product packaging, grass clippings, furniture, clothing, bottles, food scraps, newspapers, appliances, paint, and batteries. This comes from homes, schools, hospitals, and businesses.	There is no clear strategy or a plan of the Gov. to develop this value chain. Gov. focus is to respond to crisis related to accumulation of garbage on the roads	<ul style="list-style-type: none"> • Weak legal, regulatory, and institutional frameworks. • Domination of informal businesses • Poor health and safety practices for HR especially children • Poor level of technology of equipment • Poor representation in policy and decision-making 	A low priority for SEED from the prospect of integration of MSMEs in progressive value chains. The constraints identified need to be addresses first from an environmental, legal, and regulatory perspective before looking and intervening from the economic side. Further, there may be aspects of solid waste management that could be addressed as an intervention in the other selected value chains.		

Note, based on discussions with the USAID Agricultural Office, we have eliminated the consideration of horticulture as a SEED selected value chain. However, based on the discussion with the USAID EG and AG teams, on 8 September 2016, at SEED Office, specific interventions in the horticulture sector may be warranted if they are filling a gap that current USAID agriculture projects don't serve. These areas will be addresses on a case by case basis.