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The American University in Cairo

School of Global Affairs and Public Policy

**GOVERNMENT EXPORT SUPPORT PROGRAM IN EGYPT:
CHALLENGES AND INFLUENCING FACTORS**

A Thesis Submitted to the

Public Policy and Administration Department

**in partial fulfillment of the requirements for the degree of
Master of Public Policy**

By

Ahmed Kamal Al-Helewa

Spring 2020

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I wish to express my deepest gratitude to Allah for giving me patience and power to complete this thesis. I would like to pay special regards to my supervisor, Dr. Ghada Barsoum, the Associate Professor and Chair of the Public Policy and Administration Department (PPAD), School of Global Affairs and Public Policy (GAPP), The American University in Cairo (AUC). Her valuable support steered me in the right direction; without her persistent help, this accomplishment would not have been realized. I would like to thank Dr. Khaled Abdelhalim, the Assistant Professor of Urban Policy, GAPP, AUC, as the first reader of this thesis. I am gratefully indebted to his valuable comments to enhance the structure and scope of the thesis. I would, also, like to thank Dr. Rana Hendy, the Assistant Professor of Economics and Public Policy, GAPP, AUC as the second reader. Her door was always open, and she helped me a lot in improving the analysis and findings of the thesis. I wish also to express my very profound gratitude to the participants of interviews, and export experts who reviewed the findings of the study and gave me very valuable feedback. Finally, I must acknowledge the great support of my parents, wife, children, sisters and brothers for keeping me going on. This thesis would not have been accomplished without them.

The American University in Cairo

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**GOVERNMENT EXPORT SUPPORT PROGRAM IN EGYPT: CHALLENGES AND
INFLUENCING FACTORS**

by

Ahmed Kamal Al-Helewa

Supervised by Dr. Ghada Barsoum

ABSTRACT

The purpose of this research is to examine the challenges and influencing factors of the Government Export Support Program (ESP) in Egypt. The program was initiated in 2002 with the aim of upgrading the value added of Egyptian exporters and strengthening their international market share. The research identifies twelve challenges categorized into two groups: 1) *program design issues* (service-based not result-based program, absence of strong monitoring and evaluation systems, a lack of a sustainability strategy, underrepresentation of private sector in the board of directors of the Export Development Fund, restricted support and rigid budget distribution, inappropriate response to different needs of exporters, limited support to potential exporters, and putting SMEs at a disadvantage for obtaining the support); and 2) *program implementation* (continuous change of implementing agencies and regulations of participation in international trade fairs, bureaucracy and long procedures, lack of financial resources of implementing agencies, and low performance of government employees). The analysis also identifies eight influencing factors related to *firm capabilities* (unavailability of information about international markets, difficulty in meeting competitors' prices, suffering in finding new export opportunities and reliable customers, lack of financial resources, and obstacle of compliance with product quality and standards); and to the *export business environment* (low efficiency of trading across boarder, absence of industrial and trade policy, and governance challenges of public institutions). Several recommendations are derived to inform policy makers about proposed actions to improve the program performance.

Keywords: export support programs, export development, export policy, export promotion, export performance, international trade

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List of Acronyms

CSAs	Country specific advantages
CAGR	Compound Annual Growth Rate
COMESA	Common Market for Eastern and Southern Africa
DLMP	Deepening Local Manufacturing Program
EAP	Export Acceleration Program
EAP	Export Assistant Program
EDA	Export Development Authority
EDF	Export Development Fund
EECA	Egypt Expo and Convention Authority
EOS	Egyptian Organization for Standardization and Quality
EPP	Export Promotion Program
ERF	Economic Research Forum
ESIs	Export Support Institutions
ESP	Export Support Program
EU	European Union
Expolink	Egyptian Exporters Association
GAFI	General Authority for Investment
GDP	Gross Domestic Product
GoE	Government of Egypt
GOEIC	General Organization for Export and Import Control
IBV	Institutional-Based View
IDA	Industrial Development Authority
IEIP	Improving Export Infrastructure Program
IMC	Industrial Modernization Center
IRB	Institutional Review Board
KPIs	Key Performance Indicators
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MHT	Medium to High Technology
MoF	Ministry of Finance
MoTI	Ministry of Trade and Industry
OECD	Organization for Economic Cooperation and Development
PEP	Policies for Export Promotion
R&D	Research and Development
RBV	Resource-Based view
RMG	Ready-Made Garments
SAP	Shipping to Africa Program
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
U.A.E	United Arab Emirates
U.K	The United Kingdom
U.S.A	United States of America
UEBRP	Upper Egypt and Border Region Program
UNIDO	United Nations Industrial Development Organization
USD	United States dollar
WTO	World Trade Organization

I. Introduction

Exporting could accelerate economic development and improve economic competitiveness. It can create more job opportunities and reduce poverty rate (Damoah, 2018). It contributes to the growth rate of Gross Domestic Product (GDP) and reduces trade deficit (Damoah, 2018; Munch & Schaur, 2015). Export-led growth links local suppliers into global value chains, strengthens Small and Medium Enterprises (SMEs) competitiveness and raises quality standards of local producers (Babatunde, 2017; Damoah, 2018; Munch & Schaur, 2015). Thus, competing in international markets upgrades local economies and fosters economic growth.

Government authorities can play a crucial role in increasing exports and help companies strengthening their international market share (Broocks & Biesebroeck, 2017). Governments act as the “rules of the game” because they design export policies, export assistance, trade agreements, and financial regulations (Kahiya, 2018; Peng et al., 2008). Access to export markets needs huge investments and capabilities which many enterprises could not afford. (Broocks & Biesebroeck, 2017), so governments address this challenges through providing Export Support Programs (ESPs) aiming at enhancing firms’ export competitiveness (Catanzaro et al., 2019).

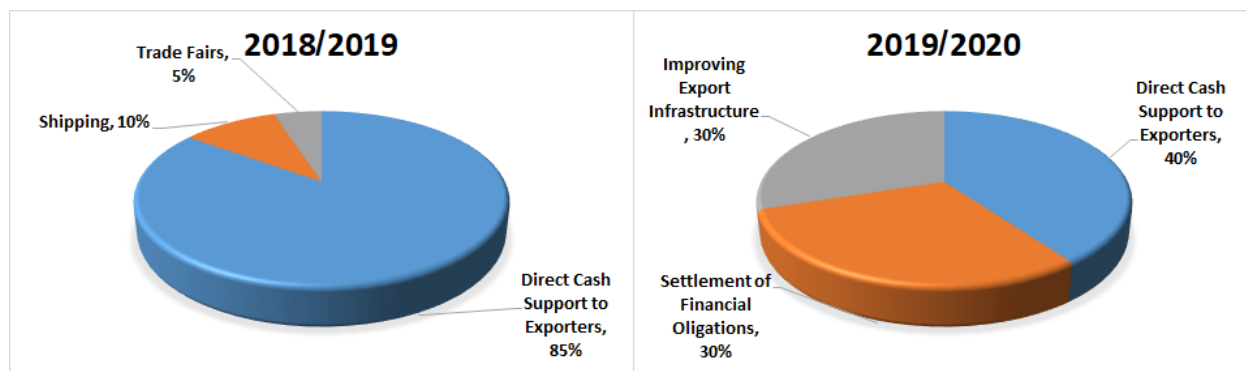
Successful government ESPs should create an enabling export environment (International Trade Center, 2014). This includes business-friendly regulations, supportive tax systems, well-design sectoral polices, upgraded production factors, fair competition environment, and availability of inputs (Kahiya, 2018). Besides, access to export markets requires low cost of cross-border trade, developed infrastructure, and strong role for Export Support Institutions (ESIs) (International Trade Center, 2014). ESIs play a crucial role in implementing ESPs. They have a positive impact on exporters’ performance in 103 countries (Lederman et al., 2010). ESIs must link its strategy to the county national economic priorities (Downey, 2013). This should be reflected on the priority sectors, target export markets and provided services to exporters (Downey, 2013).

Consequently, a lot of governments realized the importance of ESPs, so they allocated more fund for them (Freixanet, 2012). In Malaysia, Matrade which is a governmental organization offers technical assistance to private sector in order to build their export capacity and promote their

products internationally (Ayob & Freixanet, 2014). In Brazil, APEX-BRASIL provides development projects to facilitate access to global markets (Cruz, 2014; Dornelas & Carneiro, 2018). In Denmark, Danish Trade Council delivers export promotion services which have a great impact on value added, productivity and employment (Munch & Schaur, 2015). Moreover, in Tunisia, the government designed FAMEX program to help companies penetrate global markets (Cadot et al., 2015).

In Egypt, the Government of Egypt (GoE) has offered an ESP since 2002 entitled “Export Rebate Program”. Its objective is to increase Egypt export value added and expand its international market share. In 2019, the Government has reformed the program through introducing new changes. The program provides three main services: (a) direct cash transfer to exporters, (b) settlement of exporters financial obligations such as taxes, and (c) improving export infrastructure (e.g. export capacity building, technology transfer, and trade fairs). As shown in figure 1, there is a big difference in the budget allocation over the last two years. In 2018/2019, the direct cash transfer absorbed 85% of the program budget, while shipping support and trade fairs represented 10% and 5%, respectively. In contrast, in 2019/2020, the government reduced the cash transfer to be 40% and placed a high priority to improving the export infrastructure with 30% of the program budget. This reallocation is seeking to encourage exporting firms to benefit from technical assistance services to improve their export competitiveness and accelerate their export performance. Since exporters have dues to be reimbursed from government, and at the same time they have financial obligations to be paid to the government (e.g. taxes and electricity bills), the GoE allocated 30% of the program budget for the settlement of exporters financial obligations against their dues.

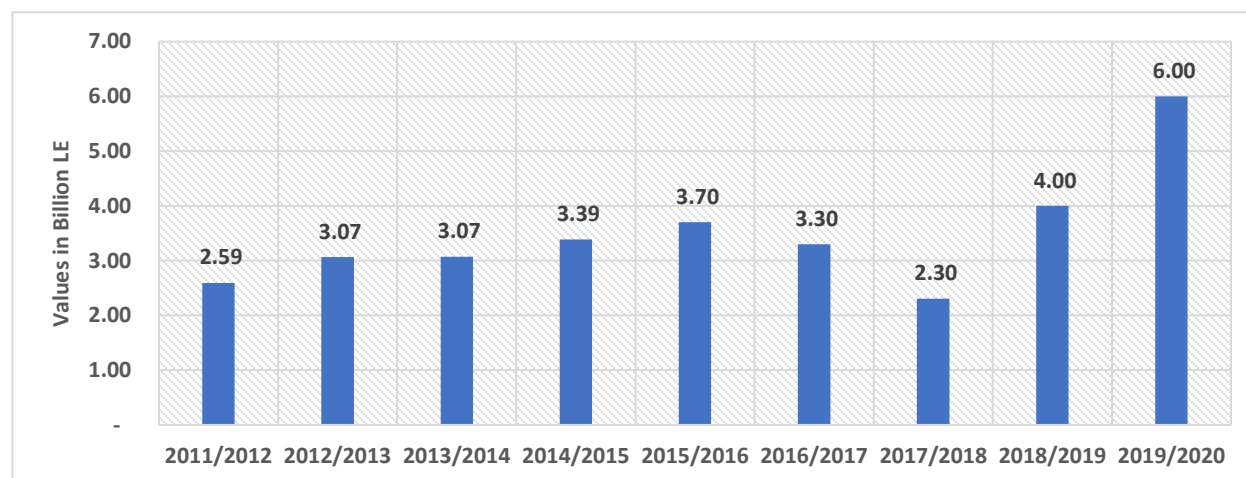
Figure 1: Budget allocation of the export support program according to type of support



Source: (Egyptian Cabinet, 2019)

Although the budget of Egypt ESP has increased annually by 6% (Compound Annual Growth Rate “CAGR”) over 2011-2018, the budget of the program was insufficient to cover all exporters dues. The cumulative exporters dues during 2011-2019 reached LE 21 billion (Egyptian Cabinet, 2019). Due to that, in 2019/2020, the GoE increased the budget dramatically by 50% to hit LE 6.0 billion in order to partially cover these dues (see figure 2).

Figure 2: Allocated budget for the export support program in Egypt



Source: Compiled by author using data from (Ministry of Finance, 2013, 2014, 2015, 2016, 2017, 2018, 2019)

A. Research Problem

The impact of Egypt ESP has not achieved its full potential yet. The value added of exports has not been significantly upgraded. The volume of non-oil exports is still at a low of USD 24.9 billion (GOEIC, 2019), and the number of exporters has been stagnant over many years. At the same time, exporters claim that they do not get the program services efficiently or they are not sufficient. Exporters suffer from the long process of fund disbursement and insufficient budget to cover their dues. They argue that the overdue reimbursements affected their businesses negatively because they used to take into consideration the amount of support when putting their costing and pricing strategies.

Moreover, when this type of support is provided, SMEs mention that large exporters get big portion of this support, while SMEs, who represent 96% of total number of exporting firms (GOEIC, 2017), obtain a low percentage. The amount of the program support is provided to firms according to their export volumes. The higher the export volumes of a firm, the higher amount of support it receives. This means that majority of the program resources and services go to large enterprises, while SMEs obtain small amount.

B. Research Questions

The main research question of the study is “What are the challenges and influencing factors of Government Export Support Program (ESP) in Egypt?” The study includes three sub-questions:

- What are the challenges of designing and implementation of the program?
- What are the influencing factors which hinder achieving the program impact?
- What are the policy recommendations to reform the program?

C. Research Objective

The research aims to help policy-makers understanding the obstacles and problems of Egypt ESP. The research examines the challenges of program design and execution as well as the weaknesses of firm capabilities and export business environment which affect the achievement of

program impact. This is the rational entry point to improving the program performance and effectiveness.

D. Structure of the Study

The research is divided into seven chapters. Chapter one provides an introduction about the research, chapter two discusses the literature review, chapter three defines the conceptual framework, chapter four describes the methodology, chapter five analyzes stylized facts about Egypt exports, chapter six discusses the findings of interviews, and chapter seven includes conclusion and policy recommendations.

II. Literature Review

This chapter defines the government ESPs, explains their underlying theories, and discusses empirical studies that analyzed this phenomenon.

A. Definition of Government Export Support Programs

In literatures, the concept of government ESPs has been defined using different terms interchangeably. Some scholars used the term of government Policies for Export Promotion (PEP), while other used government Export Promotion Programs (EPP), government Export Assistant Program (EAP) and government ESP. All of them have the same meaning.

The Organization for Economic Cooperation and Development (OECD) defined government PEP as: “*specific measures that amount to the government bearing a portion of the private cost of production of exporting*” (OECD, 1984). Wang et al. (2017) defined the government EPP as “*public policy measures offered to business community with the aim to improve the international competitiveness of domestic firms*”. Lages & Montgomery (2005) defined the government EAP as “*the amount of support received from national government that may enhance the exporting activity of a firm*”.

All of these terms have the same purpose which is enhancing firm export competitiveness to be able to enter and compete in the global markets.

B. Theoretical Background

Theoretical basis helps to develop a coherent description and explanation of a phenomena (Katsikeas, 2003). Resource-Based view (RBV) and Institutional-Based View (IBV) are the most common theories that explain the challenges and influencing factors of government ESPs and their impact on export performance (Jieke et al., 2016, p.629).

The RBV focuses on firms as receivers or beneficiaries of the ESP (Njinyah, 2018; Catanzaro et al., 2019). Recently, a lot of studies mentioned that RBV is the most important theory in explaining export performance (Morgan et al., 2012; Kaleka, 2012; Leonidou et al., 2011). RBV

argues that enterprise resources and capabilities are the main determinants of its competitive advantage and export success in global markets (Katsikeas et al., 2000; Makadok, 2001). If firms succeeded to build a solid resources, their competitiveness will be strengthened locally and globally (Miocevic, 2013). Firms can enhance their resources and improve their exports by utilizing government ESPs (Miocevic, 2013). If firms have weaknesses in their functional, information, and marketing capabilities, they will not be able to enter export markets, even if government ESPs are provided (Leonidou, 2004; Njinyah, 2018).

In addition to the RBV, the IBV theory explains the challenges and influencing factors of government ESPs. It stresses the crucial role of government institutions in facilitating international trade and enhancing export competitiveness of firms (Kahiya, 2018). The higher the performance of institutions, the higher performance of exports (Lipuma et al., 2013). IBV theory focuses on institutional environment not only in the home country but also in foreign markets (Peng et al., 2008). In the home country, challenges of government institutions could be absence of government incentives and bottlenecks of business environment (Leonidou, 2004). In export markets, barriers could be high tariff and non-tariff barriers, economic instability and political risks (Jieke et al., 2016; Kahiya, 2018). Thus, the poor role of government institutions in home and foreign countries negatively affects export performance (Freeman et al., 2012; Joanne & Chris, 2014; Rugman, 2010).

Therefore, two theories analyze the challenges and influencing factors of government ESPs. They are: (a) RBV theory which examines firm resources as determinants of export performance and shows how they are related to the government ESPs; and (b) IBV theory which studies the role of government institutions and their impact on export performance.

These theoretical approaches are further elaborated as part of the discussion of the conceptual framework of the study

C. Empirical Studies

The literatures of challenges and influencing factors of the government ESPs could be categorized into three main themes which are program design and implementation, firm internal variables, and home country and export markets characteristics. They will be discussed below.

1. Program Design and Implementation

Poor design of development programs is one of its main failure factors (Kettner et al., 2008). Any development program or project should have some basic elements. It starts with clear definition of the program, stakeholder analysis, constructing results chain, selecting program strategy, and defining Monitoring and Evaluation (M&E) system (Kettner et al., 2008).

Services provided by the ESPs aim at enhancing enterprises resources and capabilities (Leonidou et al., 2011). In order to support exporters, government needs to provide four types of assistance: information, education, trade mobility, and financial services (Njinyah, 2018; Freixanet, 2012; Leonidou et al., 2011; Leonidou, 2004). These services help enterprises to have a proper international marketing mix (e.g. product development, pricing strategy, distributions channels, and promotion strategy) (Leonidou et al., 2011). Thus, if government ESPs do not cover these areas, their impact on export performance might not be significant.

In a study of the effectiveness of institutions that provide ESPs, Lederman et al. (2010) conducted a survey in 103 countries to define impact of these institutions. The study examined five main issues which are institutional structure, strategies, resources, responsibilities and activities. They claimed that underrepresentation of private sector in the board of directors of ESIs had a negative effect on export performance (Lederman et al., 2010). ESIs were performing well when they were managed by private sector and funded by government resources (Lederman et al., 2010). Additionally, lack of funding allocated for different activities led to underperforming agencies (Lederman et al., 2010). They found, also, that existing of more than ESIs in the same country might cause overlapping responsibilities, so having one strong agency is better for exporters (Lederman et al., 2010).

Bureaucracy is one of the crucial bottlenecks which leads to inefficiencies of governmental institutions (Zhang et al., 2017). Bureaucracy increase unnecessary costs incurred by private sector in their relation with the government (Zhang et al., 2017). It does not mean only financial costs, but it includes, also, time and effort private sector spend in order to complete such transactions. Long and complex procedures could take the valuable time away from the productive activities of small businesses (Verheul et al., 2002).

Zhang et al. (2017) examined the relationship between local institutions and exports of SMEs. Through conducting a survey with 217 SMEs and in-depth interviews with 12 SMEs in China and South Korea, they assessed four indicators: government support, government transparency, legal rules, and governing efficiency. They found that three of these factors, except governing efficiency, had a positive relationship with export performance of SMEs (Zhang et al., 2017). They, also, argued that trust could be a mediator between government efficiency and international businesses capabilities. Thus, absence of government incentives, lack of transparency, and complicated regulations have negative effects on exports.

Accessibility to services offered by the ESIs could be one failure factors (Tesfom & Lutz, 2008). Through surveying 88 manufacturers in footwear and textile sectors in order to evaluate the effectiveness of the government ESP in Eritrea, Tesfom& Lutz (2008) found that small companies disadvantaged in obtaining export development services compared with large corporations. Large companies have more accessibility to international exhibitions and training programs which are offered by the government organizations (Tesfom & Lutz, 2008).

Heterogeneous effects of ESPs according to beneficiaries' size is one of the raised questions among scholars. Martincus et al. (2012), using the difference-in-differences estimator to measure the heterogenous effect in Argentina, found that the government assistance program is more effective for SMEs. The number of export markets and growth rate of exports were 10.4% and 10.7% higher, respectively, for small enterprises that benefited from the program, compared with the control group; also, these ratios were 8.9%, and 16.2% higher, respectively, for medium enterprises, compared with the control group (Martincus et al., 2012). While there was no significant effect on large corporations who joined the program, compared with the control group (Martincus et al., 2012). Leonidou et al. 2011, also, tested a model linking government ESPs and

export performance. They claimed that the government support has greater effect among small enterprises.

Impact sustainability is another challenge of the government ESPs. A bulk of literatures measured the impact of government ESPs and revealed that they have positive impact (Munch & Schaur, 2015). However, most of these papers measured short-term effect (Cadot et al., 2015). In Tunisia, three years after receiving the support from government, the exports' of program beneficiaries were not significantly different from the control group (Cadot et al., 2015). The main reason for that was the scope of the program which did not focus on developing products of exporters to ensure their competitiveness in the global markets (Cadot et al., 2015).

2. Firm Internal Variables

Achieving impact of the government ESPs is affected by other mediators outside their control (Freixanet, 2012). It depends on firm internal capabilities to use the programs' services properly (Wilkinson & Brouthers, 2006). Firm internal variables could be categorized into three main areas: export marketing strategy, firm characteristics and management capabilities.

Firm export marketing strategy is one of the key factors that affects its export performance (Sousa et al., 2008). Export marketing strategy includes mainly five challenges: Product (e.g. designing new products for international markets and meeting product quality); Price (e.g. selling with competitive prices in foreign markets); Distribution channels (e.g. dealing with matured agents in export markets); Logistics (e.g. inventory management and warehouses in export markets); and Promotion (e.g. executing proper promotion activities in international markets) (Kahiya, 2018; Jieke et al., 2016; Sousa et al., 2008; Leonidou, 2004). Thus, impact of government ESPs is affected negatively if there are problems in firm export marketing strategy.

Firms characteristics could be barriers of export performance. Export experience, export values, firm size, market orientation, financial resources, firm age, industrial sector, organizational culture, and ownership structure are the main indicators that cited in literatures (Jieke et al., 2016; Baum et al., 2013; Sousa et al., 2008). The relationship between government ESP and export performance is influenced by firm characteristics (Njinyah, 2018; Lipuma et al., 2013; Bertrand, 2011). In addition to that, Kahiya and Dean (2015) tested the relationship between export maturity

level and the impact of export barriers. They conducted an empirical study using a sample of 145 companies from New Zealand. They found that marketing barriers, resources constraints, experience and knowledge barriers, and export procedures barriers depend on firms export development level. Thus, impact of government ESPs is affected negatively if there are problems in firm characteristics.

In addition to firm characteristics, achieving the impact of government ESPs is controlled by firm management capabilities. Management capability is an important determinant for firm success in export markets (Jieke et al., 2016; Kahiya, 2018). Export commitment and support, international experience and level of education are the main factors that were discussed in literatures about management capabilities (Sousa et al., 2008). If there are problems in these factors, impact of government ESPs will be affected negatively.

3. Home Country and Export Markets Characteristics

Home country and export markets characteristics are other factors outside the control of government ESPs, which affect their impact. Home country and export markets characteristics might create barriers for exporters (Sousa & Novello, 2014). Those kinds of factors were analyzed in literatures from the perspective of the IBV (Peng et al., 2008). In home country, demand of local markets, national market characteristics, quality of infrastructure, laws and regulations, procedures of exporting and importing, political and economic instability and efficiency of institutions are the main barriers that were analyzed in literatures (Kahiya, 2018; Leonidou, 2004; Sousa et al., 2008; Bianchi & Wickramasekera, 2013; Jieke et al., 2016). In export markets, distribution channels, political and economic stability, laws and regulations, market competitiveness, tariff and non-tariff barriers are key indicators analyzed in literatures (Jieke et al., 2016; Kahiya, 2018; Sousa et al., 2008).

To conclude, RBV and IBV are the key theories that explained the challenges and influencing factors that face the government ESPs. Most of empirical studies have used quantitative methods in examining this phenomenon (Kahiya, 2018; Schmidt & De Silva, 2015). They addressed them from three main perspectives: effectiveness of government ESIs, firm internal variables and home country and export markets characteristics. All of these studies tried to explain the relationships

between different indicators and analyze how they affect the government ESPs and export performance. But they did not analyze the root cause of these challenges. In this regard, this study will fill this gap by using a qualitative method to explain the root cause of the challenges and influencing factors that hinder achieving the impact of government ESP in Egypt.

III. Conceptual Framework

This chapter discusses the conceptual framework of government ESPs in literatures then constructs the conceptual framework of the study. As mentioned earlier, the RBV theory is the most common theory used in explaining the government ESPs (Jieke et al., 2016). Three conceptual frameworks of Catanzaro, et al, (2019), Njinyah (2018) and Wang et al. (2107) will be explained as follows.

Figure No. 3 shows the conceptual framework of **Catanzaro, et al, (2019)** which uses the term of ESP. Based on a quantitative method, they evaluated the impact of government ESP on the internationalization of early internationalizing small firms. They assumed that ESPs could take three forms of support: informational support, operational support and financial support, which affect the international relational capital of firms and their export performance.

The informational support has a positive effect on the relational resources of new small exporters (Catanzaro et al., 2019). It involves export training courses, awareness seminars on export business in international markets, export studies and international market research (Catanzaro et al., 2019; Lederman et al., 2010). These activities enhance relational resources of firms. For instance, during awareness seminars, exporting companies and experts attend and share contacts, tips, and export opportunities in such international markets (Catanzaro et al., 2019). This helps firms strengthening their networks and creating new relationships towards internationalization.

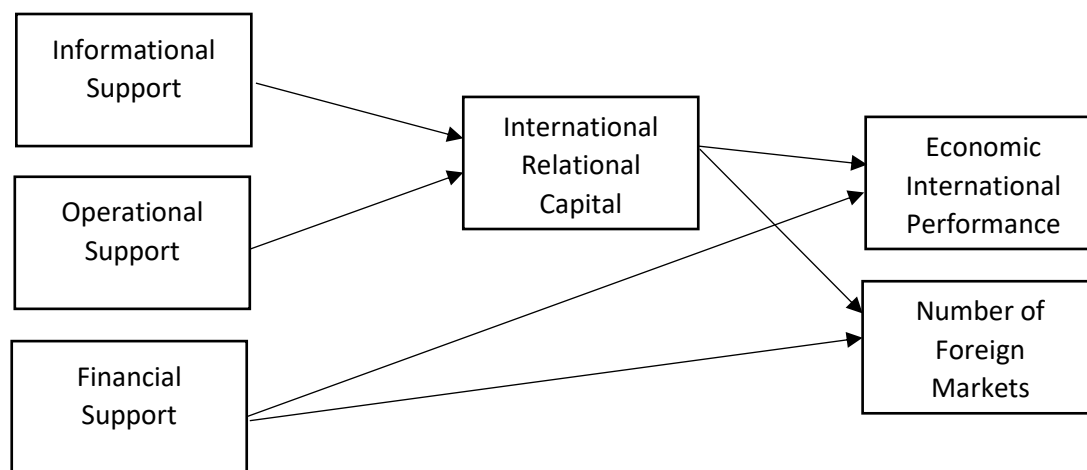
Furthermore, Catanzaro, et al, (2019) mentioned that the operational support has a positive impact on the relational capital of new small exporters. This type of support includes establishing contacts with export markets though participation in international exhibitions, trade missions, and business to business meetings (Evers & Knight, 2008; Ojala, 2009; Wilkinson & Brouthers, 2006). International trade fairs are important channel for export promotion which bring altogether exporters, importers, retailers, distributers in one place. Trade missions, also, facilitate meetings between exporters and importers in global markets (Jordana et al., 2010). Thus, operational support helps creating business linkages in export markets (Catanzaro et al., 2019).

In addition to operational support, Catanzaro, et al, (2019) argued that international relation capital of an enterprise is considered a key element for improving export. Export performance is measured by two indicators: Economic international performance and number of foreign markets (Catanzaro et al., 2019). Economic international performance refers to international intensity (e.g. export turnover and profitability) and market share objectives (Autio et al., 2000; Kuivalainen et al., 2007; Zhang, 2008). Partnerships that firms build in export market increase their economic international performance (Zucchella & Kabbara, 2013). The Number of foreign markets indicates to the export diversity of a firm. Relational capital of companies facilitates their access to new export markets (Sharma & Blomstermo, 2003). Thus, international relational capital enhances export performance.

Moreover, Catanzaro, et al, (2019) mentioned that financial support services help companies improving their export performance. Providing financial services (e.g. loans, insurance, guarantees, and subsidies) reduce export-related costs and enhance firms capabilities which yield positive effect on export turnover (Bannò et al., 2014; Gençtürk & Kotabe, 2001). Access to financial services assists exporters in penetrating new export markets and strengthening their international market share (Bonner & McGuinness, 2007; Lages & Montgomery, 2005; Sousa & Bradley, 2009). Accordingly, government financial support affects positively the economic international performance and the number of foreign markets in which firms operate (Catanzaro et al., 2019).

Therefore, Catanzaro et al., (2019) assumed that ESPs offer three types of support: informational, operational, and financial. Informational and operational support reinforce international relational capital of firms which increase their exports in term of economic international performance and number of export markets. At the same time, the financial support has the same positive impact on firms export performance.

Figure 3: Conceptual framework of government ESPs developed by Catanzaro et al, in 2019



Source: (Catanzaro et al., 2019)

Using the term of government PEP, **Njinyah (2018)** has constructed another framework with some new factors as shown in Figure No. 4. Based on a quantitative method, structural equation modeling (SEM) techniques, Njinyah (2018) tested the impact on the government PEP on export performance of SMEs. He claimed that the government PEP influences four main indicators which are Country Specific Advantages (CSAs), export finance, export marketing, and management capabilities.

Njinyah (2018) said that CSAs affect export performance. CSAs are external issues, from the perspective of exporters, which could be threats or opportunities for them (Gençtürk & Kotabe, 2001; Lages, 2000). The main role of government is to create an enabling business environment for exporters (Njinyah, 2018). This includes export support and regulations that facilitate doing international businesses (Njinyah, 2018). Since SMEs face a lot of obstacles related to business environment, government PEP should help SMEs overcoming all of these challenges (Song & Yin, 2013; Xinming & Yingqi, 2013). Thus, if enterprises succeeded to benefit from CSAs, their access to international markets will be facilitated, which have a positive effect on their export performance.

Njinyah (2018), also, said that export finance is a crucial determinant of export performance. SMEs suffer from a lack of financial resources specially when it comes to trade across borders

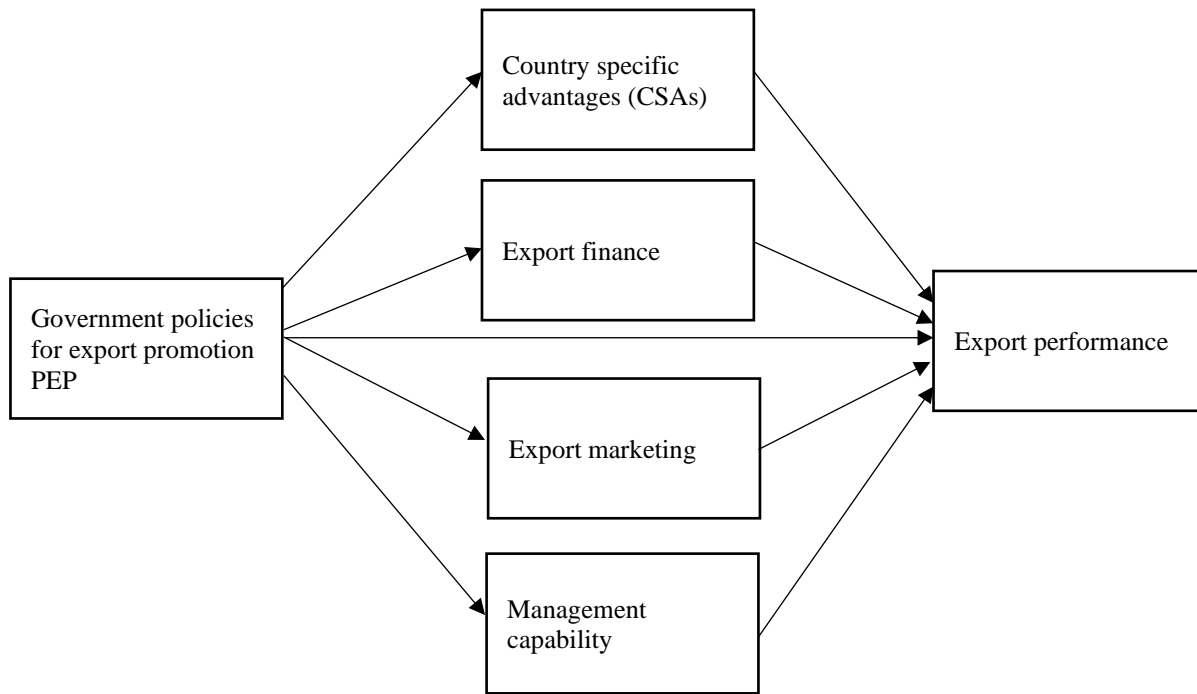
(Leonidou, 2004). Accordingly, government PEP provides measures to enhance firm financial resources for exporting such as tax and financial incentives, free trade zones, development bank financing and capital market financing (Mah, 2011; Onaolapo & Odeyemi, 2011). If companies receive adequate financial services, their exports will be increased.

In addition to export finance, Njinyah (2018) suggested that export marketing abilities have a positive impact on export performance. Strong export marketing resources allow firms to compete in international markets and reach their targets (Shamsuddoha et al., 2009). Companies need information about export opportunities, international marketing mix, product quality and export procedures, as well as participation in exhibitions and trade missions (Nazar & Saleem, 2009; Shamsuddoha et al., 2009). When a government provides this type of support, firm marketing capabilities are improved, which help them to increase their exports volumes.

Adding to export marketing abilities, Njinyah (2018) assumed that management capabilities have a positive impact on export performance. The Management capabilities involve skills of management in implementing export development strategies (Lages, 2000). To be able to take market entry decision, SMEs should have very high management skills in order to deal with risks in export markets (Mário et al., 2016). In this regard, the government could intervene to enhance firm level of education about exporting and international orientation through training, export counseling, advisory services, export seminars, overseas visits, and manual of exporting. (Lages & Montgomery, 2005; Njinyah, 2018). If managers are able to understand context of export markets, analyze their risks, take proactive decisions, they will increase their firms exports (Ibeh, 2003; Jieke et al., 2016; Nazar & Saleem, 2009; Njinyah, 2018; Souchon et al., 2016).

Thus, Njinyah (2018) suggested that government PEP affects export performance of SMEs through enhancing CSAs, financial resources, marketing capabilities, and management capabilities. Inability of government institutions to provide these services appropriately or private sector failure to put these services into action will have negative circumstances on export performance.

Figure 4: Conceptual Framework of government EPEs constructed by Njinyah (2018)



Source: (Njinyah, 2018)

Wang et al. (2107) have developed another conceptual framework, using the term of the government EPP. Based on a quantitative method, they evaluated the impact of government EPP on export performance (See Figure No. 5). They claimed that government EPP provides two types of interventions which are information-related EPPs and financial-related EPPs. This assistance affects firm marketing implementation capability which leads to improved export performance.

Wang et al. (2107) said that the information-related EPPs improve firm marketing implementation capability. The informational-related EPPs facilitate companies' access to export opportunities, international buyers, doing business in global markets, studies, publications, and export advice (Leonidou, 2004; Wang et al., 2017). Information services that are provided by EPPs could not achieve their desired impact if enterprises do not use these information and put them into export actions (Wang et al., 2017).

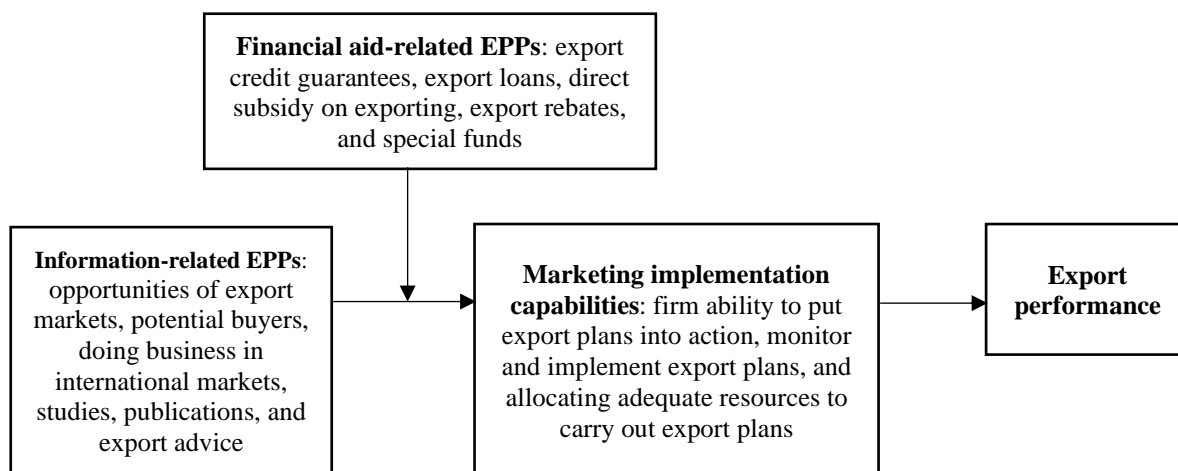
In addition to informational support, Wang et al. (2107) said that access to financial services help exporters overcoming resources limitations that face them when implementing their export strategies (Wiklund & Shepherd, 2005). This type of support could be export credit guarantees,

export loans, direct subsidy on exporting, export rebates, and special funds (Wang et al., 2017). Strong financial capabilities help firms hiring high calibers and enhancing their internal procedures, which lead to utilized EPPs' information services (Wang et al., 2017). At the same time, financial resources assist the private sector in executing their export development strategies (Wang et al., 2017). Thus, government export programs upgrade enterprises' marketing implementation capabilities.

Wang et al. (2107) added that firm marketing implementation capability is the main factor for their export success. This factor acts as a mediator connecting the government EPPs' effect with targeted export performance (Wang et al., 2017). EPPs do not have a direct effect on export performance. Firms should utilize services provided by the EPPs and put them into action to increase their exports (Gençtürk & Kotabe, 2001). Thus, firm marketing implementation capacity has a positive effect on export performance.

Accordingly, Wang et al. (2017) suggested that the government EPPs influence export performance through providing information and financial services which enhance marketing implementation capabilities of exporters.

Figure 5: Conceptual framework of government EPPs developed by WANG et al. in 2017



Source: (Wang et al., 2017)

The conceptual framework for this study is informed by the aforementioned frameworks (i.e. Catanzaro et al., (2019); Njinyah (2018); and Wang et al. (2107)). It combines them into one model by addressing the services provided by the ESPs (i.e. informational, financial, and operational) and the main influencing factors of the program which affect its impact (i.e. firms capabilities and characteristics of business environment). The conceptual framework of the study focuses on the ESP provided in Egypt. As shown in Figure No. 6, it assumes that the government ESP in Egypt offers a set of services to exporters. The main objective of these services is to improve firm export marketing capabilities in order to enhance their export performance. At the same time, there are two main factors influence the program impact, which are firm capabilities and export business environment in Egypt. They will be explained below.

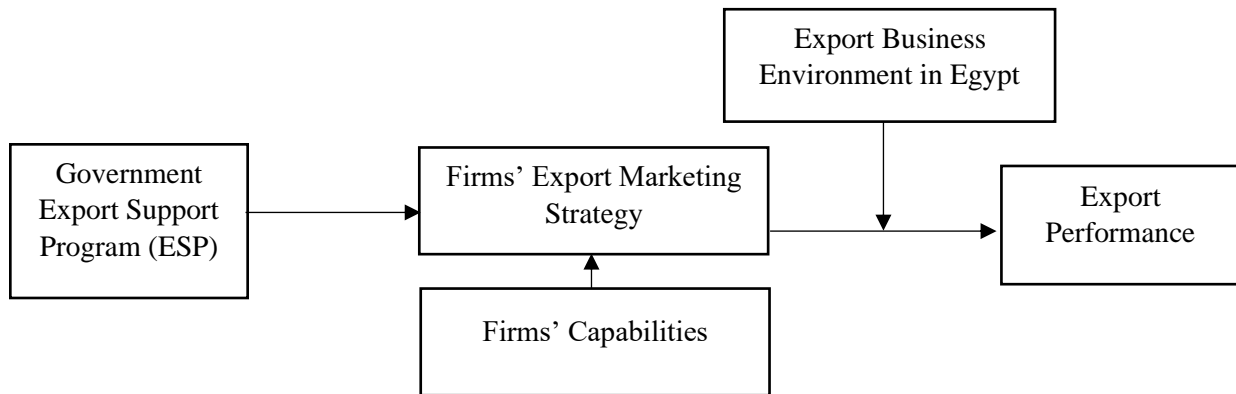
The **government ESP** in Egypt provides financial and non-financial services to improve firm export marketing strategy. Supposedly, providing these services enhances firm international marketing mix and helps them competing in global markets (Catanzaro et al., 2019; Njinyah, 2018; Wang et al., 2017). If the government is not able to deliver these types of services effectively, firms will not be able to increase their exports. Thus, the study will investigate the challenges of government institutions in designing and executing these services. The study focuses only on services provided by the Export Development Fund (EDF).

When ESP is provided, firm capabilities play a crucial role in utilizing this support and put it into action to execute successful export strategies (Njinyah, 2018). If companies failed to implement successful exporting plans, they will not be able to increase their exports. Since the government ESP aims to improve firm export performance, firm capabilities are considered an important factor influences the impact of the ESP. Thus, the study will investigate weaknesses related to firm capabilities.

In addition to firm capabilities, export business environment affects export performance (Peng et al., 2008). It involves a set of indicators such as policies, institutional environment, laws and regulations, and quality of infrastructure (Jieke et al., 2016). Any obstacles in the business environment negatively impact firms export performance. Since the government ESP aims to improve firms export performance, the export business environment is considered a key

influencing factor of the program. In this regard, the study will examine bottlenecks related to the export business environment in Egypt.

Figure 6: The Conceptual framework of study



Source: Constructed by the author, based on literatures

To conclude, the research will analyze:

- Challenges of designing and implementing Egypt ESP led by the EDF.

In addition to that, the following influencing factors of Egypt ESP will be investigated:

- Firm capabilities.
- Export business environment in Egypt.

IV. Research Methodology

Research Design

Since the study is aiming to explore aspects which have limited existing research and are difficult to measure, the qualitative method is the best approach to examine them (Marshall & Rossman, 2006). Research strategy is in-depth interviews and document analysis (Eisenhardt, 1989; Marshall & Rossman, 2006). The in-depth interviews have been conducted with governmental officials (supply side of the program), private sector and export councils (demand side of the program) as well as export consultants in Egypt. Those four groups represent the whole parties involved in the ESP in Egypt. Interviewing these parties helped eliciting a vivid picture of their perspectives on the challenges and influencing factors of the Program. Additionally, the document analysis was considered as a tool for research method. The author reviewed different documents published by government, private sector and international organizations to complement data needed for examination.

Sampling

The interviews' sample was purposively selected (Neuman, 2014) to be able to leverage knowledge and experience of key informants related to the ESP. Twelve interviews were conducted as shown in table 1. The classification of the sample is: four interviewees are governmental officials who represent the supply side; two interviewees are owners of exporting firms and four are export councils' officials, who represent the demand side; and two export consultants who are neither provider nor beneficiary of the program, but they have solid experience in export development and brought different knowledge to the analysis. Sizes of exporting firms were considered (i.e. large and SMEs). The author used the classification of the EDF in defining small, medium and large exporting firms, which identify SMEs exporters as firms whose annual export values do not exceed USD 10 million, and large exporters whose annual exports exceed USD 10 million.

The sample size was determined by the level of contribution to the theory in which there is no additional information required to understand the theory. Inclusion and exclusion criteria of the sample were:

- Government officials should be involved in the design or implementation of the program; if not, they have been excluded.
- Exporters should be beneficiary of the government ESP (at least one year), while exporters who are not beneficiary have been excluded.
- Export councils' officials should be involved in the process of dealing with program; if not they have been excluded.
- Export consultants should have strong experience in the government export support; if not they have been excluded.

The data of the interviews' sample were attained from different sources. Data of the government and export councils officials were obtained through approaching their relevant organizations. Data of exporting firms and export consultants were gotten through referrals of the government and export councils officials.

Table 1: Sample details

No	Position	Organization Type	Relevance to the Program
1	Deputy CEO	Governmental Organization	Supply Side
2	Manager	Governmental Organization	Supply Side
3	Manager	Governmental Organization	Supply Side
4	Manager	Governmental Organization	Supply Side
5	CEO	Export Council	Demand Side
6	Manager	Export Council	Demand Side
7	Manager	Export Council	Demand Side
8	Manager	Export Council	Demand Side
9	Business Owner	Exporting Firm	Demand Side
10	Business Owner	Exporting Firm	Demand Side
11	Export Consultant	Private Sector	Export Development Consultant
12	Export Consultant	Private Sector	Export Development Consultant

Source: Compiled by author.

Data Collection and Analysis

A semi-structured interview was conducted, guided by the main topics raised in literatures. These included program design and implementation, firm characteristics and management capabilities, home country characteristics, and export markets characteristics. Asking open-ended questions, follow-up questions and probes have been considered during the interviews to get clear

understanding about the problem (Manderson et al., 2006). Moreover, the author paid attention to triangulation to be able to see issues from different perspectives. Data were gathered through face-to-face interviews (4 key informants) and telephone interviews (8 key informants). Telephone interviews were utilized due to COVID-19 crisis. Each interview took on average one hour. Participants did not prefer tap-recording, so the author took notes during the interviews, then transcribed the data on the Microsoft Word. Some missing data were found, so the author returned back to some key informants to ask them again about the missing data.

The Analysis of interviews data was done through open coding approach (Strauss & Corbin, 1998). Data coding were carried out by using comment feature of the Microsoft Word. The author categorized data and defined the main themes emerged during interviews. Data were coded according to relationships between nodes. Moreover, sub-coding was considered when linking nodes to each other. This approach provided solid method to investigate the main reasons of problem and examine how they contribute to the theory (Strauss & Corbin, 1998). After completing the analysis of interviews data, the author came back to a key informant to validate and verify the findings.

For the purpose of documents analysis, the author collected the related-program documents from different sources. The author downloaded the state budget from the website of the Ministry of Finance (MoF), the Export Development Law no. 155 from website of the General Organization for Export and Import Control (GOEIC), the Sustainable Development Strategy (SDS) from the website of the Ministry of Planning and Economic Development, and the Industry and Trade Development Strategy from the website of the Ministry of Trade and Industry (MoTI). The program executive regulations and exporters memos were gathered from the export councils and the Export Development Authority (EDA). The Global Competitiveness Report was downloaded from the World Economic Forum (WEF) website, and the Doing Business Reports of Egypt, Morocco, and Turkey were downloaded from the portal of the doing business of World Bank Group. Press releases of the MoTI were obtained from the online portals of Al-Ahram newspaper and the State Information Center. The strategy of “Deepening Local Industry and Promoting Egyptian Exports” was collected from an advisor to the Minister of Trade and Industry. Finally, the Sustainable Development Goals (SDGs) were obtained from the United Nations website. All

of these documents were analyzed by classifying the data and coding them by themes. Then, they were linked to the main themes of the interviews data in order to have comprehensive picture of the causes of problem.

Data of exports, imports and trade balance were compiled from the GOEIC Trade Digest Reports from 2014 to 2018. The author got these reports from an advisor of Minister of Trade and Industry. At firm level, exports data were downloaded from the portal of Economic Research Forum (ERF). The origin source of these data is GOEIC. The author used the below equations in analyzing the data of exports, imports and trade balance.

- **Yearly annual growth rate** = $\frac{\text{value in } y_n - \text{value in } y_{n-1}}{\text{value } y_{n-1}} * 100$

y_n = current year

y_{n-1} = previous year

- **Compound Annual Growth Rate (CAGR)** = $\left(\frac{\text{value in the end year}}{\text{value in the start year}} \right)^{\left(\frac{1}{n} \right)} - 1$

n = number of years

- **Share of large firms in Egypt total exports** =

$$\frac{\text{Sum of firms exports whose export values exeeede \$ 10 million}}{\text{Egypt total exports}} * 100$$

- **Share of medium firms in Egypt total exports** =

$$\frac{\text{Sum of firms exports whose export values range from \$ 1 million to \$ 10 million}}{\text{Egypt total exports}} * 100$$

- **Share of small firms in Egypt total exports** =

$$\frac{\text{Sum of firms exports whose export values are below \$ 1 million}}{\text{Egypt total exports}} * 100$$

Ethical Issues

The author placed a high priority to academic research values to be honest, fair, unbiased, and truthful (Neuman, 2014). Before conducting the in-depth interviews, the author got the Institutional Review Board (IRB) approval, explained purpose of the study to participants, got informed consent (oral), assured confidentiality of their information, and emphasized the voluntary nature of the participation in the interviews. Reference to Neuman (2014), the author did not deny

his own assumptions during discussions with participants; however, he tried to be very open to different views to see beyond his own assumptions and take maximum advantage of interviewees' insights.

Limitation of the Study

The sample of the study is purposively selected, so the number of interviews is not representing the whole population. Besides, there are twelve exporting sectors in Egypt. Differences and comparisons between these sectors were not examined due to cost and time limitation. Accordingly, it is difficult to generalize to theory.

V. Egypt Exports: Stylized Facts

This chapter analyzes the export business environment in Egypt and performance of non-petroleum exports at aggregate and sectoral levels.

A. Export Business Environment

Conducive business environment enhances competitiveness of exporting firms. This includes clear public policy, efficient public institutions, friendly business regulations, efficient procedures of trade across borders, and high quality of infrastructure (Jieke et al., 2016; Lages, 2000; Majeed & Ahmad, 2006; Sousa et al., 2008). If a government succeeds in creating an enabling business environment, cost and time of export will decrease which leads to enhanced export competitiveness. This section analyses business environment in Egypt by addressing key issues that affect exporting firms including Quality of Institutions, Trading across Boarder, Trade Openness, and Infrastructure. A benchmark analysis has been used to able to assess Egypt capabilities in absolute and relative terms. The benchmark countries are:

- **Morocco:** It has achieved high export growth rate over 2017-2018 reached 15% (International Trade Center, 2020) and improved its business environment which ranked 75th globally (World Economic Forum, 2019). It, also, competes with Egypt in different export sectors such as agriculture, textile, and engineering (International Trade Center, 2020).
- **Turkey:** It has achieved high export growth rate over 2017-2018 reached 7% (International Trade Center, 2020) and improved its business environment which ranked 61st globally (World Economic Forum, 2019). It, also, competes with Egypt in different export sectors such as ready-made garment, agriculture, and engineering (International Trade Center, 2020).
- Averages of the Middle East and North Africa (**MENA**) region and the Organization for Economic Cooperation and Development (**OECD**) Countries have been used in some indicators as a reference, as well as score of the best performer was highlighted to be used as a role model for any reform endeavor.

1. Institutions

Quality of institutions impacts the private sector performance in terms of public policy design and implementation and regulations enforcement. Institutions index is a composed index, developed by the World Economic Forum, measures the quality of public and private institutions. The index involves a lot of sub-indices; only business-related sub-indices are analyzed, as presented in Table 2, which are public sector performance, corporate governance, and future orientation of government (World Economic Forum, 2019).

Public sector performance in Egypt is below the benchmark countries. Egypt overall score is 47.6 which ranked 88th out of 141 economies. Morocco and Turkey are in better positions, 34th and 46th, respectively. This sub-index is constructed from three indicators: burden of government regulations, efficiency of legal framework in setting disputes, and e-participation. Efficiency of legal framework in setting disputes in Egypt is performing well, ranked 66th, compared with Turkey, 84th. Regarding the burden of government regulation which has a high effect on the private sector, Egypt is underperforming with a rank of 75th, while Morocco is the 23rd and Turkey is the 60th. Egypt is ranked 100th in the E-Participation indicator which is 45 positions after Morocco and 64 positions after Turkey.

Corporate governance in Egypt is still in a need for enhancement. Its rank is 63rd while Morocco is 46th and Turkey is 42nd. This sub-index is constructed from three indicators. The shareholder governance in Egypt is relatively high, 28th, compared with Morocco, 64th, while Turkey enjoys higher rank, 12nd. Conflict of interest regulation in Egypt has the worst rank at 106th, which means that a lot of efforts are needed to reformulate these regulations and ensure their enforcement. Auditing and accounting standards ranked 50th, better than Turkey, 89th, but lower than Morocco, 30th.

On a positive way, future orientation of the GoE is clear and stable. Its rank is 43th, only one position after Morocco, 42th, while Turkey suffers from unclear vision for the future, ranked 61st, 18 places after Egypt. Egypt government responsiveness to change and having long-term vision got the highest ranks at 23th and 30th, respectively. On the other hand, legal framework adaptability to digital business models, environment-related treaties in force, and policy stability have the

lowest ranks in Egypt at 79th, 79th, and 64th, respectively. Thus, Egypt should place a priority to these indicators to enhance its institutions performance.

Therefore, public sector performance and corporate governance in Egypt are lagging behind the comparator economies, while the future orientation of the government is much better compared with the benchmark countries.

Table 2: *Quality of institutions indicators in Egypt and comparator economies*

Index Components	Egypt			Morocco Rank/141	Turkey Rank/ 141	Best Performer
	Value	Score	Rank /141			
Public Sector Performance 0-100		47.6	88	34	46	Singapore
- Burden of government regulations 1-7 (best)	3.4	40.3	75	23	60	Singapore
- Efficiency of legal framework in setting disputes 1-7 (best)	3.9	48.6	66	41	84	Singapore
- E-Participation 0-1(best)	0.54	53.9	100	55	36	Multiple (3)
Corporate governance 0-100		61.5	63	46	42	New Zealand
- Strength of auditing and accounting standards 1-7 (best)	5.1	67.5	50	30	89	Finland
- Conflict of interest regulation 0-100 (best)	4.7	47.0	106	53	34	Kenya
- Shareholder governance 0 – 10 (best)	7.0	70.0	28	64	12	Kazakhstan
Future orientation of government 0 -100		60.0	43	42	61	Luxembourg
- Government ensuring policy stability 1-7 (best)	4.0	50.4	64	22	82	Switzerland
- Government responsiveness to change 1-7 (best)	4.5	58.6	23	48	41	Singapore
- Legal framework adaptability to digital business models 1-7 (best)	3.5	41.8	79	74	45	United States
- Government long term vision 1-7 (best)	4.6	60.3	30	71	69	Singapore
- Energy efficiency regulation 0 -100 (best)	61.0	61.0	40	48	38	Italy
- Renewable energy regulation 0 -100 (best)	68.3	68.3	32	36	23	Germany
- Environment-related treaties in force count (out of 29)	21	72.4	79	36	126	Multiple (6)

Source: Compiled by author using data from (World Economic Forum, 2019)

2. Trading across Boarder

Time and cost of trading across boarder affect competitiveness of exporters. The lower time and cost, the higher exporters' competitiveness (Bianchi & Wickramasekera, 2013). Trading across boarder indicator is developed by the World Bank which measures time and cost related to

exporting and importing. The World Bank calculates time and cost (tariffs are not included) of three types of procedures: documentary compliance, border compliance and domestic transport (World Bank Group, 2020a).

Table 3 shows ranking of trading across borders in Egypt and comparators. Egypt rank is not good at 171st out of 190 economies, while Morocco and Turkey enjoy better ranks at 58th and 44th, respectively. This means that time and cost of exporting and importing in Egypt is relatively high compared with other countries.

Time and cost to export in Egypt is higher than Morocco and Turkey, while it is lower than average of MENA region. Export documentary compliance in Egypt takes 88 hours and costs USD 100. In Morocco, it consumes 26 hours and costs USD 67; whereas Turkey is more efficient at 4 hours and USD 55. However, Egypt is doing well compared with MENA region. Besides, the performance of Egypt export boarder compliance, also, is lower than benchmarking countries and MENA region. Only cost of boarder compliance in Turkey, USD 338, is higher than Egypt, USD 258.

The severe bottlenecks of trading across borders in Egypt are existing in importing procedures. Time and cost of importing in Egypt are relatively high compared with benchmark countries and the average of MENA region. Import border compliance takes 240 hours and costs USD 554 in Egypt, while it is 57 hours and USD 228 in Morocco, 7 hours and USD 46 in Turkey, and 94.2 hours and USD 512.5 on average in MENA region. Moreover, documentary compliance of imports in Egypt takes 265 hours and has fees of USD 1000, while Morocco is 26 hours and USD 116, Turkey is 2 hours and USD 55, and MENA region average is 72.5 hours and USD 262.6. These indicators indicate to that procedures of imports are more complicated in Egypt. This affects exporters negatively. Since many exporting firms source high percentage of their inputs from abroad, the time and cost of importing procedure affect their business.

Table 3: Trading across borders indicators in Egypt and comparator economies

Indicator	Egypt	Morocco	Turkey	MENA	Best Performance
Trade across Borders (rank out of 190 economies)	171	58	44	-	1

-Time to export: Border compliance (hours)	48	6	10	52.5	1
-Cost to export: Border compliance (USD)	258	156	338	441.8	0
-Time to export: Documentary compliance (hours)	88	26	4	66.4	1
-Cost to export: Documentary compliance (USD)	100	67	55	240.7	0
-Time to import: Border compliance (hours)	240	57	7	94.2	1
-Cost to import: Border compliance (USD)	554	228	46	512.5	0
-Time to import: Documentary compliance (hours)	265	26	2	72.5	1
-Cost to import: Documentary compliance (USD)	1000	116	55	262.6	0

Source: Compiled by author using data from (World Bank Group, 2020a, 2020b, 2020c)

3. Trade Openness

Protected local markets is not good for industry and export. Increasing tariff rates and non-tariff measures in home country hinder flows of importing goods (International Trade Center, 2014). Imports could be raw material, capital good or final products. Egyptian exporters import many inputs and capital goods from abroad which estimated at USD 19.8 billion in 2018 (GOEIC, 2019) due to its unavailability in local markets or low quality of national suppliers. Thus, low trade openness affects exporters competitiveness and increase costs of final products (International Trade Center, 2014). On the other hand, imported final products has a positive spillover effect on the local producers. Competing with imported final products encourage local producer to enhance their competitiveness (International Trade Center, 2014). It motivates local producers to upgrade their technologies and develop their products. Thus, more opened markets are better for exporters.

Trade Openness is an index developed by the World Economic Forum, which measures the ease of importing in each country (World Economic Forum, 2019). Trade openness in Egypt is below the benchmark countries. Egypt overall score is 41.5 which ranked 137th out of 141 economies. Morocco and Turkey are in better positions, 100th and 88th, respectively. This sub-index is constructed from four indicators: Prevalence of non-tariff barriers in which Egypt has

good score at 57.5, ranked 67th, ahead of Turkey by 12 positions, but very far from Morocco by 47 positions behind. Trade tariff rates are very high in Egypt ranked 136th, while Morocco is 101st and Turkey is 75th. Complexity of tariffs in Egypt is much better than Turkey, while Morocco enjoys low level of tariff complexity. Border clearance efficiency are perceived in Egypt better than Morocco but lower than Turkey. Therefore, international trade in Egypt needs to be more opened by focusing on bottlenecks in the trade openness indicators.

Table 4: Trade openness indicators in Egypt and comparator economies

Index Components	Egypt			Morocco Rank/141	Turkey Rank /141	Best Performer
	Value	Score	Rank /141			
Trade openness 0–100		41.5	137	100	88	Singapore
- Prevalence of non-tariff barriers 1–7 (best)	4.5	57.5	67	20	79	Singapore
- Trade tariffs %	14.48	3.5	136	101	75	Hong Kong
- Complexity of tariffs 1–7 (best)	4.9	65.0	86	70	100	Hong Kong
- Border clearance efficiency 1–5 (best)	2.6	40.0	76	112	58	Germany

Source: Compiled by author using data from (World Economic Forum, 2019)

4. Infrastructure

Poor infrastructure leads to a lot of bottlenecks in export transactions in terms of buying production inputs and selling final products (International Trade Center, 2014). The Infrastructure Index is constructed by the World Economic Forum which measures the quality of countries' infrastructure on a scale from 1 (very low) to 100 (very high) in 141 economies (World Economic Forum, 2019). The index has 2 sub indicators: Transport Infrastructure and Utility Infrastructure. The analysis focuses only on the transport infrastructure which has a direct effect on the export business environment.

Table 5 outlines performance of Egypt and benchmarking countries in terms of transport infrastructure indicators in 2019. Quality of transport infrastructure is good in Egypt which stands at 59.1, ranked 44th out of 141 economies. However, there is still a room for improvement, especially when comparing Egypt with other benchmark countries such as Morocco and Turkey whose ranks are 41st and 33rd, respectively. Thus, Egypt enjoys good quality of infrastructure. However, it should improve it continuously in order to not lagging behind its competitors.

Table 5: Transport infrastructure indicators in Egypt and comparator economies

Index Components	Egypt			Morocco Rank /141	Turkey Rank /141	Best Performer
	Value	Score	Rank /141			
Transport Infrastructure (0-100)		59.1	44	41	33	Singapore
- Road connectivity0–100 (best)	82.2	82.2	48	30	34	Multiple (3)
- Quality of road infrastructure1–7 (best)	5.1	68.0	28	41	31	Singapore
- Railroad density km/ 1,000 km ²	5.2	12.9	70	71	52	Multiple (24)
- Efficiency of train services1-7 (best)	3.8	45.9	50	44	56	Japan
- Airport Connectivity score	101,480	62.7	40	52	14	Multiple (8)
- Efficiency of air transport services1-7 (best)	5.1	68.4	46	38	31	Singapore
- Liner shipping connectivity 0-100 (best)	70.3	70.3	18	17	27	Multiple (5)
- Efficiency of seaport services1-7 (best)	4.8	62.6	41	24	44	Singapore

Source: Compiled by author using data from (World Economic Forum, 2019)

B. Export Performance at Aggregate Level

To understand Egypt export performance at aggregate level, the following indicators will be analyzed: trade balance, exports contribution to the GDP, export per capita, export key markets, and technological content in exports.

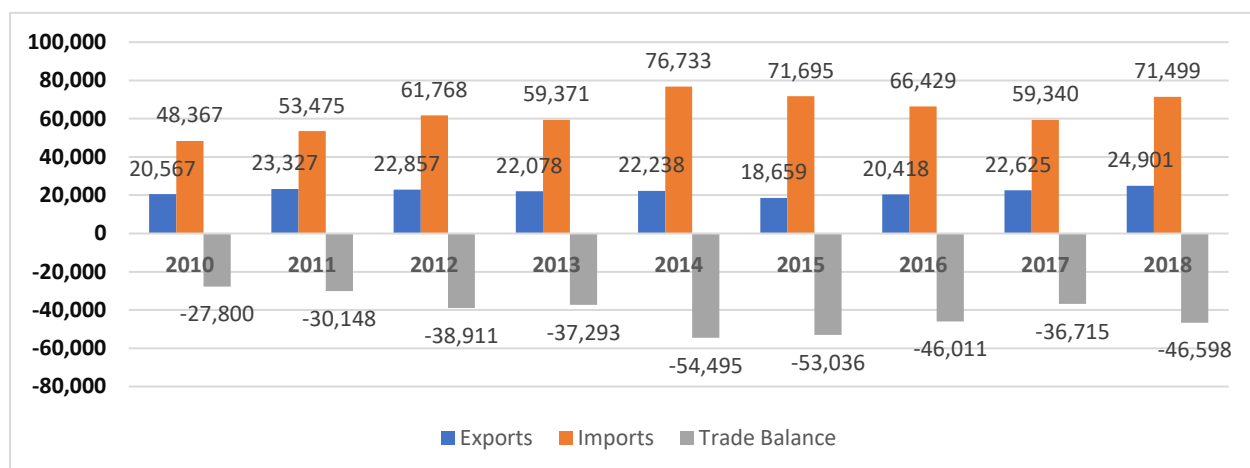
1. Trade Balance

Egypt suffers from a negative trade balance at USD – 46.5 billion in 2018 which is 1.8 times its non-petroleum exports. Due to government efforts to reduce imports, the deficit of trade balance went down during 2015-2017 by 3%, 13%, and 20%, respectively. However, the deficit grew again by 27% in 2018 due to imports surge.

Egypt exports increased by a CAGR of 2.4% from USD 20.5 billion in 2010 to USD 24.9 billion in 2018. It is obvious that after the revolution in 2011, the exports declined in 2012 and 2013 by 2% and 3.4%, respectively, and reached its worst level in 2015 recording USD 18.6 billion with a negative growth rate of -16.1%. After that the exports recovered by achieving high growth rate in 2016, 2017, and 2018 by 9.4%, 10.8%, and 10.1%, respectively.

On the other hand, Egypt imports were relatively high which resulted in the deficit of trade balance. The imports were estimated at USD 71.4 billion in 2018 . They increased annually by 5% during 2010-2018, while exports rose at a lower percentage of 2.4% over the same period. (Figure 7 and Table 6 show the performance of trade balance, exports and imports).

Figure 7: Egypt exports, imports and trade balance performance (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

Table 6: Growth rate of Egypt international trade (%)

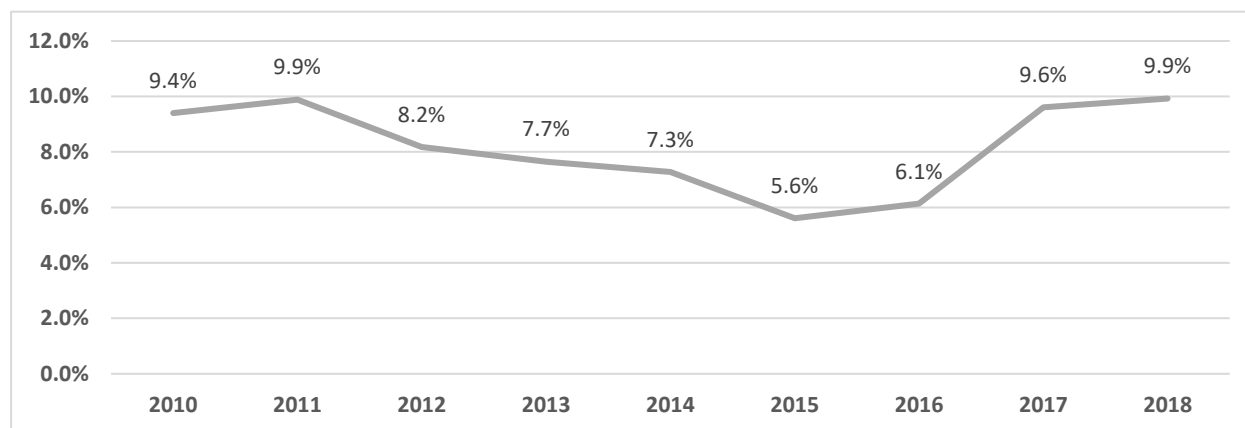
	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Exports	13.4%	-2.0%	-3.4%	0.7%	-16.1%	9.4%	10.8%	10.1%	2.4%
Imports	11%	16%	-4%	29%	-7%	-7%	-11%	20%	5.0%
Trade Balance	8%	29%	-4%	46%	-3%	-13%	-20%	27%	6.7%

Source: Compiled by author using data from (GOEIC, 2019)

2. Exports Contribution to the GDP

The high exports' proportion of the GDP, the high exports' contribution to the economy. After Egypt revolution in 2011, the exports' contribution to the GDP has been declining from 9.9% in 2011 to in 2015. After that, it has recovered to reach 6.1% in 2016, 9.6% in 2017, then reached its peak at 9.9% in 2018 (see figure 8).

Figure 8: Exports as a proportion of GDP in Egypt (%)

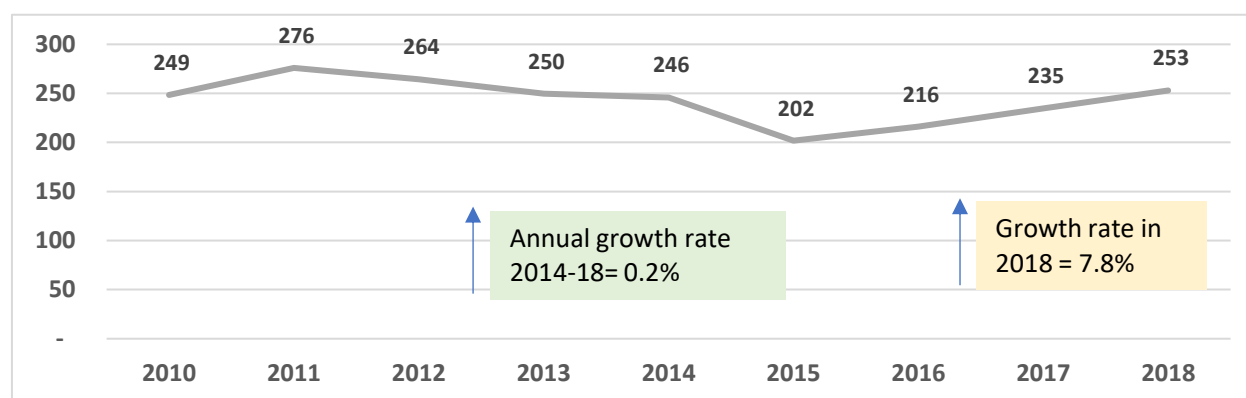


Source: Compiled by author using data from (GOEIC, 2019) and the (World Bank, 2020)

3. Exports per Capita

Exports per capita refers to the share of each citizen in exports. It is a very initial indicator which reflects the economy international competitiveness. Figure 9 reveals that Egypt exports per capita grew annually by 0.2% from USD 249 in 2010 to USD 253 in 2018. It peaked in 2011 at USD 276 and reached its lowest value at USD 202 in 2015.

Figure 9: Exports per capita in Egypt (current prices, USD)



Source: Compiled by author using data from (GOEIC, 2019) and the (World Bank, 2020)

4. Key Exports Markets

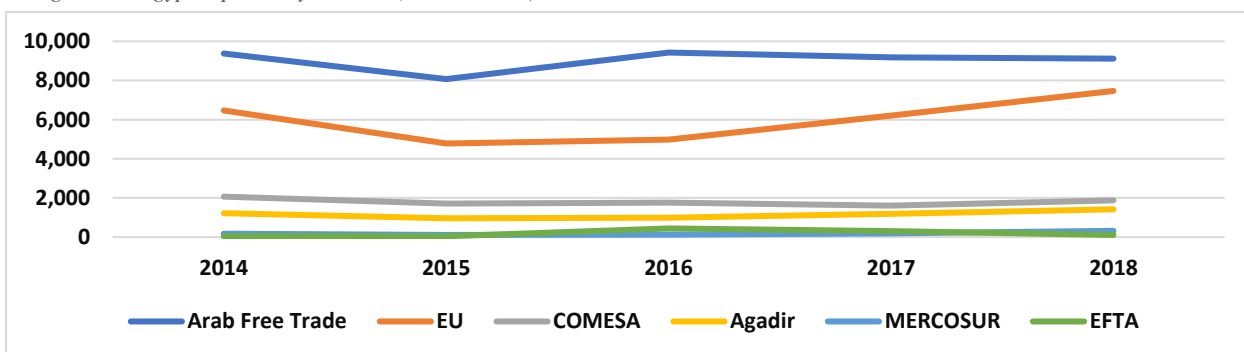
Egypt export markets are concentrated in mainly two regions, the Arab and European Union (EU). However, there are other important regions share a low percentage in Egypt export volumes, and their shares have increased over the last year.

The Arab region and EU receive 66.6% of Egypt exports. The Arab countries are the largest importers from Egypt accounting for 36.6% of Egypt total exports. However, Egypt exports to this region fell down by 1% in 2017/2018 and declined annually by 1% from USD 9.3 billion in 2014 to USD 9.1 billion in 2018. On the other hand, the EU constituted 30% of Egypt total exports achieving a 20% growth rate in 2018 to reach USD 7.4 billion.

There are important regions have free trade agreements with Egypt, but they are underrepresented in Egypt exports' destination markets. Nevertheless, their share grew very well in 2018. The Common Market for Eastern and Southern Africa (COMESA) represented 7.6% in Egypt total exports recording a 17% increase in 2018 to reach USD 1.8 billion. Agadir market accounted for 5.7% with a 19% growth rate from USD 1.1 billion in 2017 to USD 1.4 billion in 2018. Additionally, MERCOSUR shared 1.3% and went up by 69% from USD 190 million in 2017 to USD 321 million in 2018.

Therefore, Egypt exports are still concentrated in two regions, the Arab and EU markets. However, the share of underrepresented regions, COMESA, Agadir, and MERCOSUR, jumped in 2018.

Figure 10: Egypt exports key markets (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

Table 7: Egypt exports key markets (growth rate)

		2015	2016	2017	2018	CAGR
Arab Free Trade		-14%	17%	-3%	-1%	-1%
EU		-26%	4%	25%	20%	4%
COMESA		-18%	4%	-9%	17%	-2%
Agadir		-21%	4%	19%	19%	4%
MERCOSUR		-39%	9%	57%	69%	15%
EFTA		-10%	909%	-29%	-63%	24%
Source: Compiled by author using data from (GOEIC, 2019)						

5. Technological Content in Exports

Egypt exports are characterized by low and medium technology industries. Figure No. 11 shows high-technology exports in Egypt and the Lower Middle-Income Countries¹. As defined by the World Bank, the high-technology exports are “*products with high R&D intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery*”. The data reveal that Egypt high technology exports share only 0.87% of manufactured exports which decreased from 0.95% in 2010. This percentage is very low compared with the average of Lower Middle-Income Countries which amounted to 12% in 2018. It is worth mentioning that the gap between Egypt and the Lower Middle-Income Countries has been widened since 2010 from 6.3% to 11.2% in 2018, which refers to that many Lower Middle-Income Countries have taken serious actions to increase the technological content in their exports.

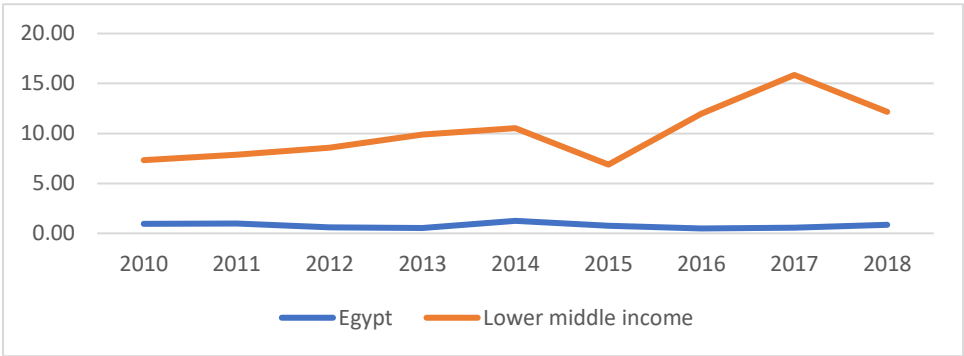
In addition to the very low percentage of the high-technology exports, Egypt Medium to High Technology (MHT) value added in total value added is underperforming. Egypt MHT value added fell down from 36% in 2000 to 13.9% in 2016 (See Figure 12), while this indicator is relatively high in Morocco (27.7%), Tunisia (33.6%), and Turkey (31%) (UNIDO, 2020b).

As will be explained in the findings of interviews, one of the main objectives of the ESP in Egypt since 2002 was to increase the value added of Egypt exports. Moving from low to MHT industries is a prerequisite to increase the value added. Thus, the low proportion of the MHT

¹ This indicator includes total exports value, not only non-petroleum exports.

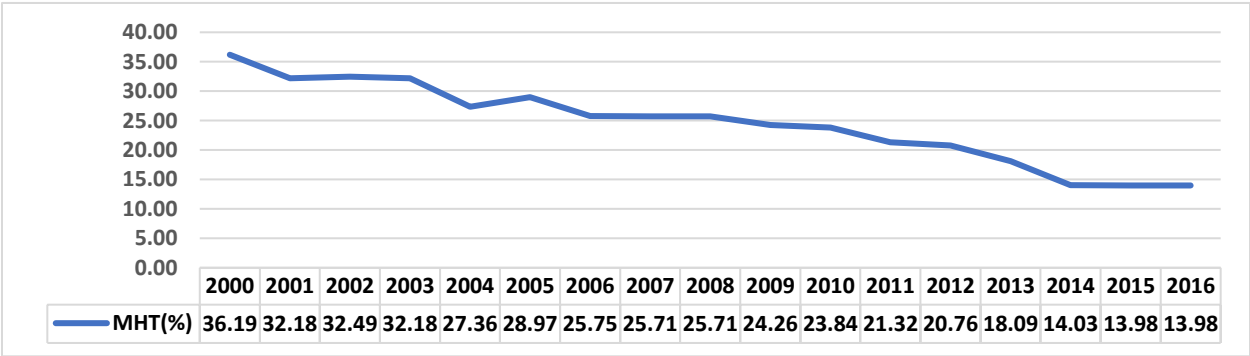
industries reflects the little effect of the ESP on increasing technological content, hence upgrading the value added.

Figure 11: High-technology exports (% of manufactured exports)



Source: Compiled by author using data from (World Bank, 2020)

Figure 12: Proportion of medium and high-tech industry value added in total value added (%)



Source: Compiled by author using data from (UNIDO, 2020a)

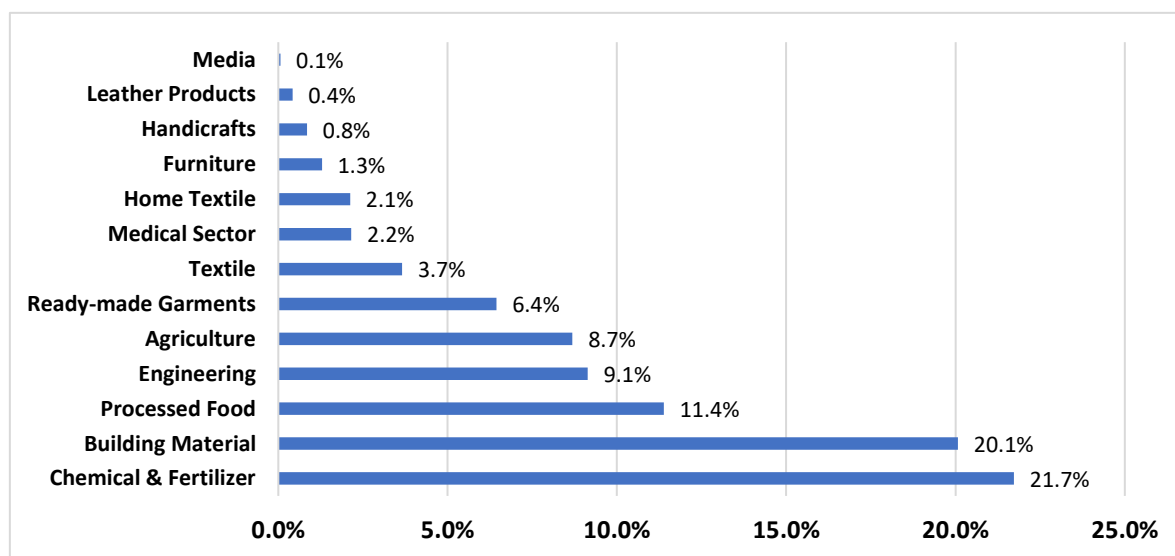
C. Export Performance at Sectoral Level

Analyzing exports at macro level is important but not enough. To have clearer picture about Egypt export performance, this section analyzes structure of exports, then go deeper to highlight performance of largest sectors.

1. Sectoral Structure of Exports

Egypt exports are highly concentrated. There are seven sectors accounted for 81.1% of Egypt total exports in 2018. They are chemical& fertilizer (21.7%), building material (20.1%), processed food (11.4%), engineering (9.1%), agriculture (8.7%), Ready-Made Garments (RMG) (6.4%), and textile (3.7%). Then, they are followed by medical (2.2%), home textile (2.1%), and furniture (1.3%). Figure 13 shows sectoral structure of Egypt exports.

Figure 13: Egypt export sectors in 2018 (% of total export value)



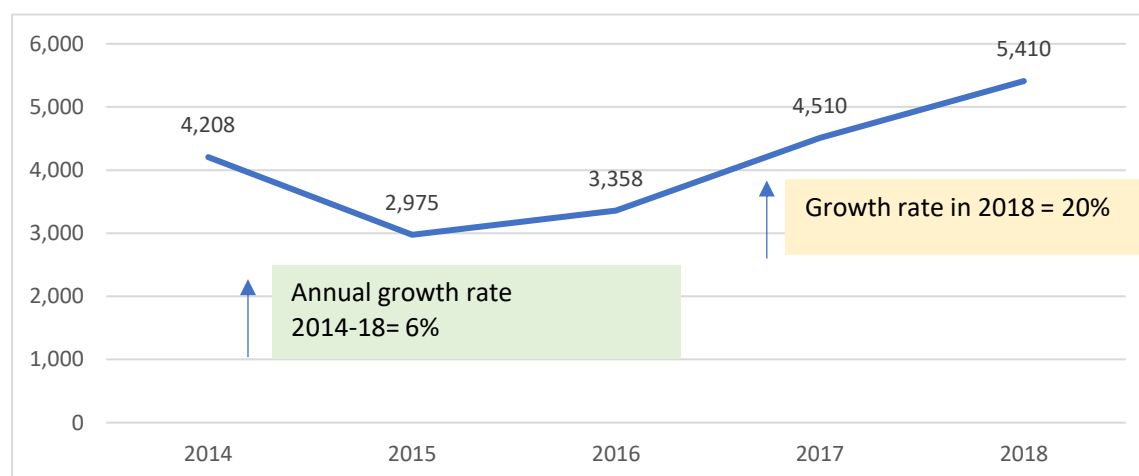
Source: Compiled by author using data from (GOEIC, 2019)

2. Sectors Performance

The following part analyses performance of the largest sectors which represent 81.1% of Egypt exports: chemical & fertilizer, building material, processed food, engineering, agriculture, RMG, and textile.

Chemical & Fertilizer Sector: Exports of chemical and fertilizer grew annually by 6% from USD 4.2 billion in 2014 to USD 5.4 billion in 2018. It jumped in 2018 by 20% compared with 2017 (see figure 14). Turkey is the largest destination market for this sector with 18.7% of the sector exports, followed by Italy (6.4%), France (5.9%), Spain (4.8%), India (4.5%), and United Kingdom (U.K) (3.6%). Plastics, fertilizers, and paper products are the largest exported sub-sectors accounting for 65% of the sector exports, followed by inorganic chemicals, organic chemicals, and detergents (see table 8).

Figure 14: Exports of Chemical and Fertilizer (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

Table 8: Chemical and Fertilizer, top destination markets and top exported sub-sectors (% of sector exports)

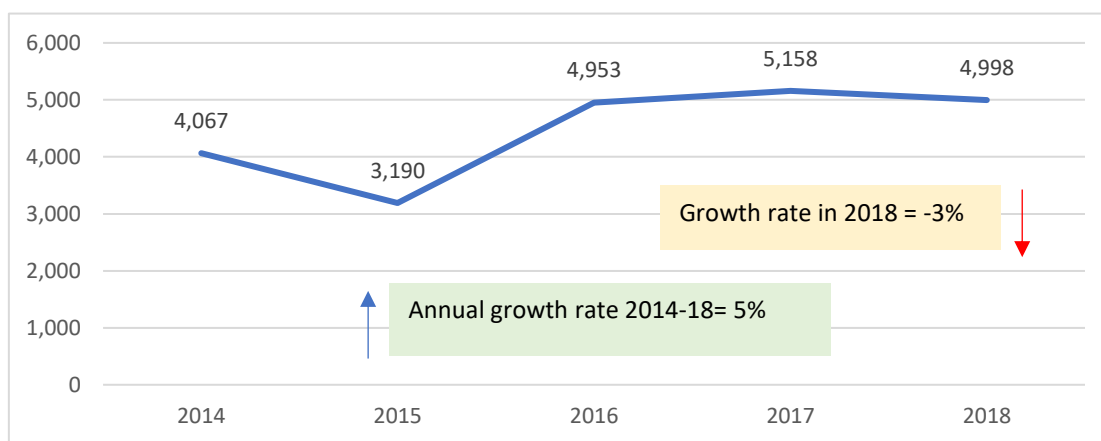
COUNTRY	EXPORTS 2018	SUB-SECTOR	EXPORTS 2018
TURKEY	18.7%	Plastics, plastic products	28.7%
ITALY	6.4%	Fertilizer products	25.4%
FRANCE	5.9%	Paper products	10.9%
SPAIN	4.8%	Inorganic chemicals	9.7%
INDIA	4.5%	Organic Chemicals	7.9%
U.K	3.6%	Detergents	5.2%

Source: Compiled by author using data from (GOEIC, 2019)

Building Material Sector: Exports of building material grew annually by 5% from USD 4 billion in 2014 to USD 4.9 billion in 2018. However, it declined in 2018 recording a negative growth rate

at 3% (see figure 15). United Arab Emirates (U.A.E) is the largest destination market for this sector with 25.9% of the sector exports, followed by Italy (10.4%), Turkey (4.9%), Saudi Arabia (4.3%), Spain (4%), and United States of America (U.S.A) (3.9%). Jewels, Iron, and Aluminum are the largest exported sub-sectors accounting for 63.4% of the sector exports, followed by glasses, marble & granite, and Stoned materials (see table 9).

Figure 15: Exports of Building Material (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

Table 9: Building Material, top destination markets and top exported sub-sectors (% of sector exports)

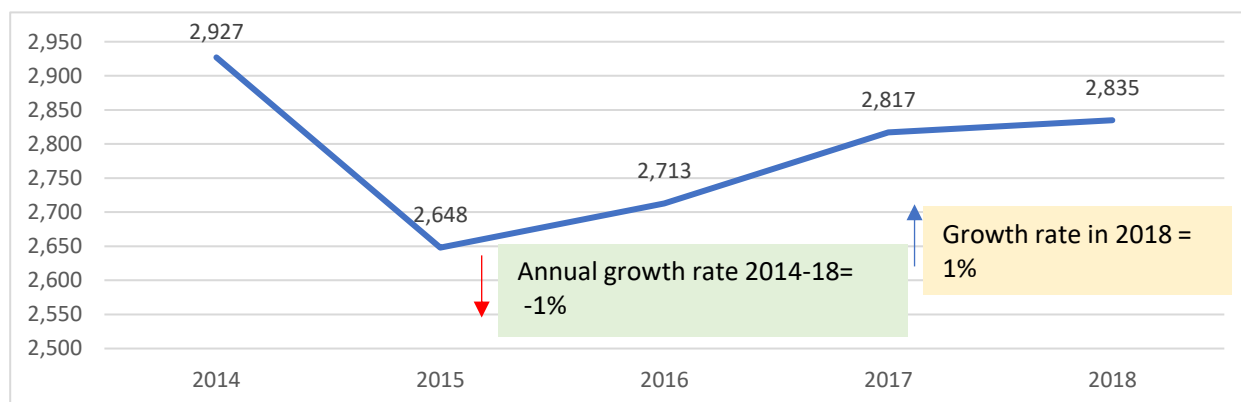
COUNTRY	EXPORTS 2018	SUB-SECTOR	EXPORTS 2018
UAE	25.9%	Jewels	29.1%
ITALY	10.4%	Iron & steel	21.0%
TURKEY	4.9%	Aluminum	13.4%
SAUDI ARABIA	4.3%	Glass and its products	7.4%
SPAIN	4.0%	Marble and Granite	4.6%
U.S.A	3.9%	Stoned materials and metal	4.3%

Source: Compiled by author using data from (GOEIC, 2019)

Processed Food Sector: Exports of processed food experienced a significant decrease in 2015 at 10% from USD 2.9 billion in 2014 to 2.6 billion in 2015. Then, it started its recovery to reach USD 2.8 billion in 2018 (see figure 16). Saudi Arabia is the largest destination market for this sector with 10.4% of the sector total exports, followed by Libya (7.4%), Jordan (5.3%), U.S.A (5.2%), Yemen (4.8%), and U.A.E (4.4%). Aromatic oils, milling products, and cooked cheese are the

largest exported sub-sectors accounting for 25% of processed food exports, followed by processed strawberries, frozen vegetables, and Juices and concentrates (see table 10).

Figure 16: Exports of Processed Food (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

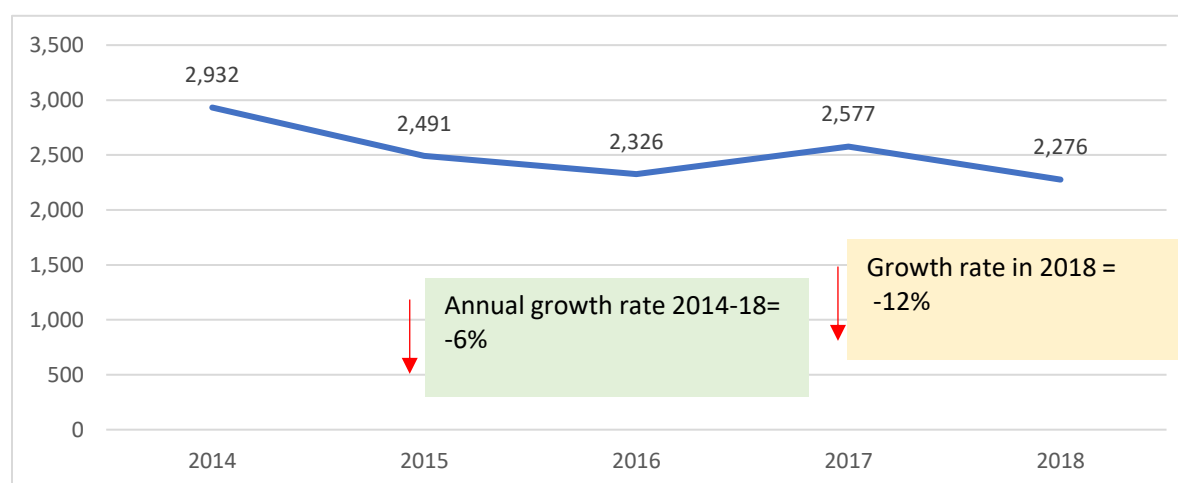
Table 10: Processed Food, top destination markets and top exported sub-sectors (% of sector exports)

COUNTRY	EXPORTS 2018	SUB-SECTOR	EXPORTS 2018
SAUDI ARABIA	10.4%	Aromatic oils and resins	12.5%
LIBYA	7.4%	Products of the milling	6.5%
JORDAN	5.3%	Cheese, cooked	6.0%
U.S.A	5.2%	Processed Strawberries	4.2%
YEMEN	4.8%	Frozen vegetables	4.2%
UAE	4.4%	Juices and concentrates	4.1%

Source: Compiled by author using data from (GOEIC, 2019)

Engineering Sector: Exports of engineering sector decreased annually by 6% from USD 2.9 billion in 2014 to USD 2.2 billion in 2018. Although Egypt total exports in 2018 increased by 10%, the engineering exports fell down by 12% in the same year (see figure 17). U.K is the largest destination market for the engineering sector with 14.1% of sector total exports, followed by U.A.E (10.5%), Saudi Arabia (7.9%), Algeria (5.7%), Hungary (5.4%), and France (5.4%). Home appliances (brown goods), car components, and cables are the largest sub-sectors accounting for 68.1% of engineering exports, followed by white goods, electrical industries, and vehicle industry (see table 11).

Figure 17: Exports of Engineering sector (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

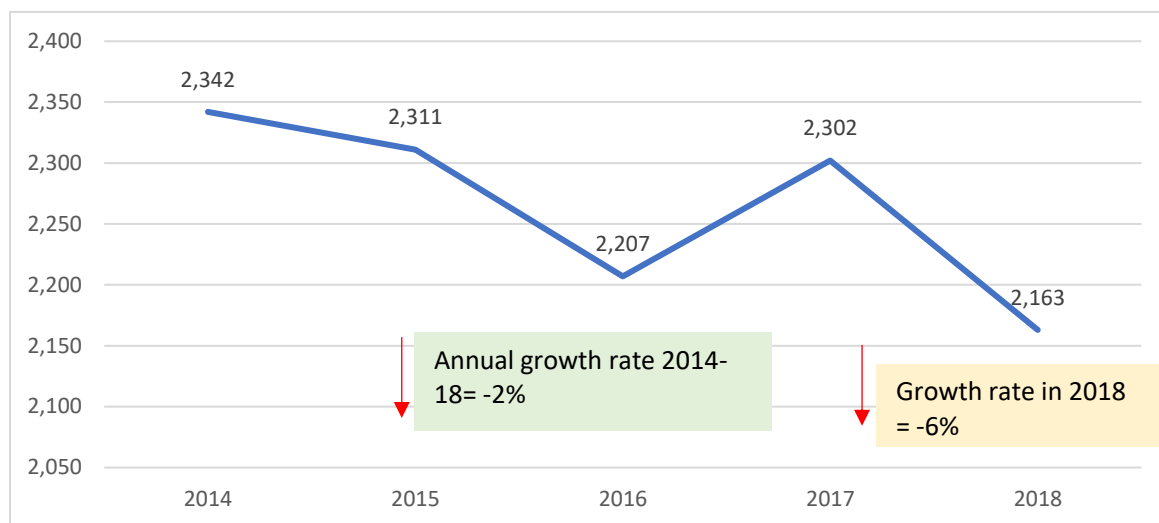
Table 11: Engineering, top destination markets and top exported sub-sectors (% of sector exports)

COUNTRY	EXPORTS 2018	SUB-SECTOR	EXPORTS 2018
U.K	14.1%	Home Appliances	31.1%
U.A.E	10.5%	Car Components	20.1%
SAUDI ARABIA	7.9%	Cables	16.9%
ALGERIA	5.7%	White Goods	12.3%
HUNGARY	5.4%	Electrical Industries	8.6%
FRANCE	5.4%	Vehicle Industry	4.0%

Source: Compiled by author using data from (GOEIC, 2019)

Agriculture Sector: Exports of agriculture sector decreased annually by 2% from USD 2.3 billion in 2014 to USD 2.1 billion in 2018. It, also, declined by 6% in 2018 compared with 2017 (see figure 18). Russia is the largest destination market for the agriculture sector with 14.9% of sector total exports, followed by Saudi Arabia (13%), Netherlands (7.2%), U.K (7.2%), U.A.E (5.0%), and Germany (4.5%). Fruits, citrus, and vegetables are the largest sub-sectors accounting for 89.7% of agriculture exports, followed by potato, peanut and legume crops, onion and garlic (see table 12).

Figure 18: Exports of Agriculture (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

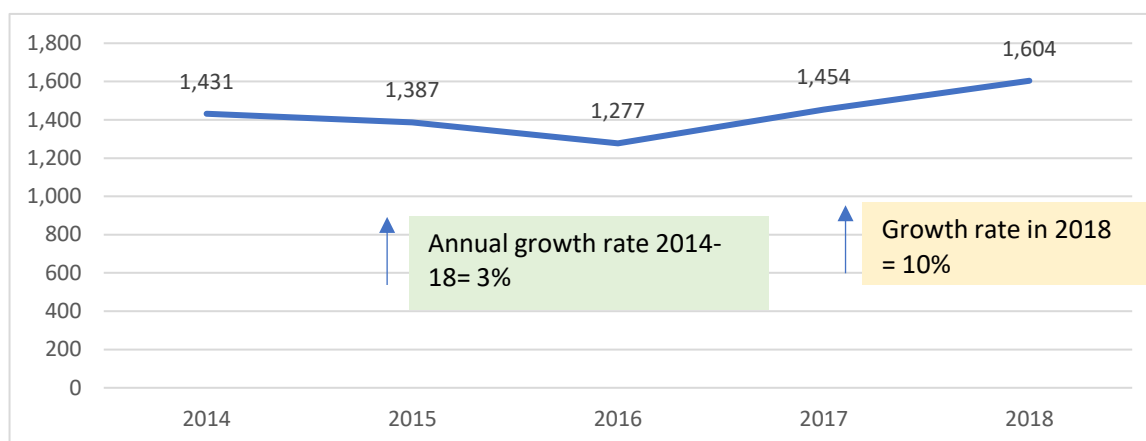
Table 12: Agriculture, top destination markets and top exported sub-sectors (% of sector exports)

COUNTRY	EXPORTS 2018	SUB-SECTOR	EXPORTS 2018
RUSSIA	14.9%	Fruits	45.4%
SAUDI ARABIA	13.0%	Citrus	33.6%
NETHERLANDS	7.2%	Vegetables	10.7%
U.K	7.2%	Potato	9.7%
U.A.E	5.0%	Peanut and legume crops	8.5%
GERMANY	4.5%	Onion and garlic	6.0%

Source: Compiled by author using data from (GOEIC, 2019)

Ready-Made Garments Sector: Exports of RMG sector rose annually by 3% from USD 1.4 billion in 2014 to USD 1.6 billion in 2018. It, also, jumped by 10% in 2018 compared with 2017 (see figure 19). U.S.A is the largest destination market for the RMG exports with 49.9% of sector total exports, followed by Spain (8.9%), Turkey (8.4%), U.K (6.7%), Germany (5.8%), and Italy (4.6%). Casual and formal wears are the largest sub-sectors accounting for 65.3% of RMG exports, followed by sport wear and other RMGs (see table 13).

Figure 19: Exports of Ready-made Garments (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

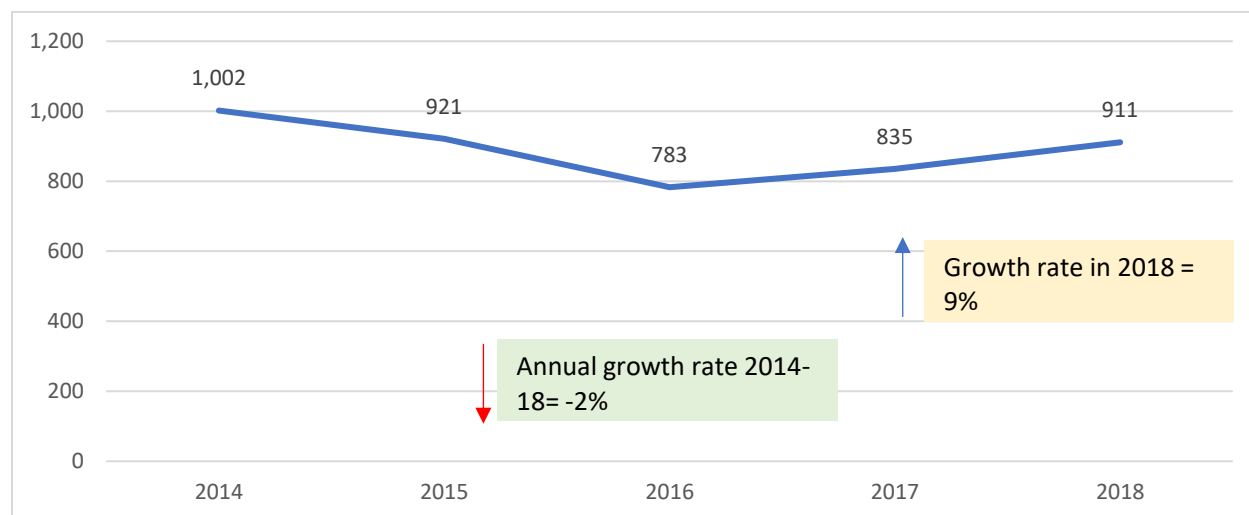
Table 13: Ready-made Garments, top destination markets and top exported sub-sectors (% of sector exports)

COUNTRY	EXPORTS 2018	SUB-SECTOR	EXPORTS 2018
U.S.A	49.9%	Casual	38.2%
SPAIN	8.9%	Formal	27.2%
TURKEY	8.4%	Sports Wear	15.5%
U.K	6.7%	Others RMG	15.5%
GERMANY	5.8%		
ITALY	4.6%		

Source: Compiled by author using data from (GOEIC, 2019)

Textiles Sector: Exports of textiles sector declined annually by 2% from USD 1 billion in 2014 to USD 911 million in 2018. However, it achieved good growth rate at 9% in 2018 compared to 2017 (see figure 20). Turkey is the largest destination market for the textile sector with 30.3% of sector total exports, followed by Italy (14.5%), Algeria (9.9%), Nigeria (5.8%), Tunisia (3.4%), and Germany (3.1%). Cotton, filler, and synthetic or artificial filament are the largest sub-sectors accounting for 73% of textiles exports, followed by man-made fibers, wool and animal dander, and knitted or crocheted fabrics (see table 14).

Figure 20: Exports of Textiles (USD Million)



Source: Compiled by author using data from (GOEIC, 2019)

Table 14: Textiles, top destination markets and top exported sub-sectors (% of sector exports)

COUNTRY	EXPORTS 2018	SUB-SECTOR	EXPORTS 2018
TURKEY	30.3%	Cotton	38.6%
ITALY	14.5%	Filler, felt, for Aminsojat	19.4%
ALGERIA	9.9%	Synthetic or artificial filament	14.9%
NIGERIA	5.8%	Man-made fibers	10.4%
TUNISIA	3.4%	Wool and animal dander	4.8%
GERMANY	3.1%	Knitted or crocheted fabrics	3.3%

Source: Compiled by author using data from (GOEIC, 2019)

Conclusion

Although the export business environment in Egypt suffers from different bottlenecks, it still has some strengths to build on. Regarding quality of institutions index, public sector performance in Egypt and corporate governance indicators are below the benchmark countries ranked 88th and 63rd, respectively. The time and cost of trade across boarder are relatively high compared with the average of MENA region and OECD countries. At the same time, the trade openness indicators are lagging behind comparators. However, the future orientation of the GoE is perceived positively by investors, and the quality of transport infrastructure stands at a good position which ranked 44th out of 141 economies.

Egypt has not achieved its export potential yet. Egypt exports increased annually by 2.4% from USD 20.5 billion in 2010 to USD 24.9 billion in 2018, while imports increased annually by 5% from USD 48.3 billion in 2010 to USD 71.4 billion in 2018. This resulted in a deficit in the trade balance at USD -46.5 billion. At the same time, exports' contribution to the GDP accounted for 9.9% in 2018 compared with 9.4% in 2010, while exports per capita grew slowly at a CAGR of 0.2% from USD 249 in 2010 to USD 253 in 2018. Besides, Egypt exports are concentrated in two regions which are the Arab and the EU. However, the share of underrepresented regions, COMESA, Agadir, and MERCOSUR, went up in 2018. The high technology exports share only 0.87% of Egypt manufactured exports.

In addition to that, Egypt exports are highly concentrated in seven sectors (i.e., chemical& fertilizer, building material, processed food, engineering, agriculture, RMG, and textiles) representing 81.1% of Egypt total exports. The performance among different sectors was not consistent. There are some sectors grew in 2018 including chemical (20%), RMG (10%), textiles (9%), and processed food (1%). On the other hand, the sectors that declined include engineering (-12%), agriculture (-6%) and building material (-3%).

VI. Findings of Interviews: Analysis of Egypt Export Support Program (ESP)

This chapter shows the findings of interviews. It involves three sections: (a) Overview of Egypt ESP ; (b) Challenges of the ESP; and (c) Influencing Factors of the ESP.

A. Overview of Egypt ESP

Egyptian exporters used to face a lot of obstacles to access export markets. At firm level, exporters have different challenges including international marketing capabilities, technology transfer, and production capacities. Besides, there are bottlenecks in business environment especially trade across borders. In the export markets, they face aggressive competition and high non-tariff measures.

Responding to these challenges, The GoE has designed an ESP in 2002. This program has been considered as one of key government interventions that affect business community in Egypt. To understand this program, it is very important to show history of the program, relevance to international and national context, type of support and executive regulations, and stakeholders' analysis.

1. History of the Program

The ESP went through four distinguished phases: establishment phase in 2002, active service delivery from 2003-2010, low-performance during 2011-2018, then reform phase in 2019.

In 2002, the Export Development Law No. 155 has been endorsed to regulate roles of export promotion organizations in Egypt. Article 2 of this Law has established the EDF to be affiliated to the Minister of Trade and Industry. The EDF has been mandated to increase export volumes, enhance export competitiveness, and reduce export burdens (Export Development Law No. 155 of 2002). The Law has defined different roles of the EDF which includes: (1) promote the Egyptian exports in global markets; (2) enhance export capacities of producers by providing technical and marketing studies and establishing inspection laboratories, certification centers, research institutions, and training centers; (3) build relations with trade promotion organizations worldwide; (4) reduce financial burdens of exporters to be able to compete in export markets; (5) strengthen

capabilities of exporters to be able to promote their commodities and services; and (6) finance international market research and studies.

In order to fulfil its mandate, the EDF has designed an ESP to help exporters enhancing their competitiveness. An official in export councils mentioned that:

From 2003 to 2010, the EDF has played an effective role in Egypt. The Fud has designed an ESP including two main programs: Export Rebate Program and Exhibitions Program (interview, March, 2020).

The rationale behind the two programs was reducing financial burdens on exporters. Through the Export Rebate Program, exporters were receiving direct cash transfer, while the Exhibitions Program was subsidizing exporters' participation in international trade fairs. At the same time, the government was providing extra support to cover a portion of shipping cost to some regions such as Africa.

The Export Rebate Program was and still implemented by the EDF. In the beginning, it was targeting only the agriculture sector. This sector has represented a big portion of the non-petroleum exports reached 8% (GOEIC, 2019), and its exporters were facing a lot of challenges. An official of export councils said:

Designing the Export Rebate Program was a result of lobbying of the agricultural sector exporters. They submitted a position paper to the government showed challenges they face, which hinder their exports and threat their business. They asked the government to support them in order to sustain in international markets (interview, March, 2020).

Exporting firms of the agriculture sector were leveraging the government support which amounted to 10% of their export bill; additionally, the government allocated extra support for some products such as citrus and sometimes rice.

Year after year, the rest of sectors have been covered by the Export Rebate Program. These sectors are chemicals and fertilizers, building material, food, engineering, cosmetics and medical supplies, textile and clothing, furniture and handicraft.

According to interviewees, the Export Rebate Program was efficient in the beginning. The process of reimbursement was fast and rules were clear. An official of export councils mentioned:

Before 2011, exporters were reimbursing their financial dues within few weeks after submitting their documents. In that era, the program succeeded to make exporters' prices more competitive (interview, March, 2020).

The program has built trust with exporters due to the fast process of reimbursement. Exporters were sure that they would receive the support that the government promised to give. Thus, pricing strategies of exporters were taking into consideration the money they reimburse. This helped them reducing export prices to be able to compete in global markets.

In addition to the Export Rebate Program, the Exhibition Program was implemented by the Industrial Modernization Center (IMC) and the Egyptian Exporters Association (Expolink). Then the Egypt Expo and Convention Authority (EECA) and the Export Development Authority (EDA) become the executing agencies. The program was covering all sectors and products. It encouraged Egyptian exporters to participate in international trade fairs in Europe, USA, Arab countries, and Africa. A governmental official mentioned:

The Exhibition Program had a lot of positive effects on the Egyptian exporters. It supported firms to participate in the biggest international trade fairs such as Fruit Logistica in Germany, Maison Et Objet and Sial Paris in France, Salone Internazionale del Mobile in Italy, and Gulf Food in Dubai (interview, November, 2019).

According to interviewees, participation in these trade fairs helped exporting firms to find new customers, upgrade their technologies, and develop their products. Exhibitions is not only channel to find customers, but they open the door to learn from competitors and understand market needs.

Therefore, the Export Rebate Program and Exhibitions Program supported firms to fix their pricing strategies, present in the big trade shows and facilitate their access to export markets.

Nevertheless, some firms manipulated the financial support as interviewees mentioned. Some exporters tried to take more money by submitting forged documents. An export consultant explained:

Before 2010, a number of firms have been accused of fraud and fund manipulation, so the EDF started to take strict actions to stop this manipulation, which affected negatively efficiency of the program (interview, March, 2020).

A number of exporters attempted to unfairly and dishonestly leverage extra fund from the program. They were cheating on values of their exports to take more money from the program, and others were reporting unreal exporting activities. These firms were suspended and referred to the Public Funds Prosecution.

Thus, the government tried to put some restrictions and took some measures to prevent any illegal practices experienced by some exporters. Moreover, the EDF started to coordinate with the Custom Authority to ensure that all submitted documents are correct and reflect real export transactions. These restrictions slowed down the process of reimbursement, especially after the revolution in 25th of January.

After that, from 2011 to 2018, efficiency and effectiveness of the program became questioned. The process of documents verification became very long and the allocated budget was not sufficient to pay exporters' dues. Delayed payments reached LE 21 billion during 2011- 2018 (Egyptian Cabinet, 2019), taking into consideration that the yearly budget was on average 3.1 billion during the same period (Ministry of Finance, 2019). Exporters claimed that overdue reimbursements affected their businesses negatively because they used to take into consideration the amount of subsidy in their costing and pricing strategies, assuming that they will receive their outstanding payments. But, year after year, many exporters did not receive all their reimbursements which resulted in mistrust between private sector and the program.

Then in 2019, the program has witnessed a new era of reform. In order to achieve national priorities and serve exporter needs, many public-private dialogue sessions have been conducted to improve the program. In July 2019, the Ministry of Trade and Industry announced a new program merged all kinds of support under one program entitled Export Rebate Program. Its main goal is to boost Egyptian exports from \$ 24.8 billion in 2019 to \$ 55 billion in 2024 (State Information Center, 2019). The main pillars of the program are increasing value added, development of Upper Egypt, focusing on SMEs exports, entering new export markets, and enhancing export

infrastructure (Al Ahram English Newspaper, 2019). The non-financial services gain a priority compared with the old programs before 2019.

Hence, the government ESP in Egypt have witnessed four phases. The establishment phase in 2002 by endorsing the Export Development Law no. 155, active service delivery from 2003-2010, the downturn period from 2011 to 2018, and the reform phase in 2019.

2. Relevance to International and National Context

The ESP in Egypt is very relevant to the international and national context. The Program is aligned with the United Nations SDGs, World Trade Organization (WTO) regulations, Egypt SDS-Vision 2030, and the Industry and Trade Development Strategy 2016-2020.

The SDGs recognizes export development as an engine for inclusive and sustainable economic growth. The Goal Number 17 “*Revitalize the global partnership for sustainable development*” is concerned with global integration which involves target Number 1711 entitled “*Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries’ share of global exports by 2020*” (The United Nations, 2020). To be able to raise exports of developing countries, a lot of export development programs and technical assistance are needed to formulate better policies and facilitate private sector access to international markets. Thus, the Export Development Program in Egypt is very aligned with the SDGs.

However, the WTO prohibits any kind of export subsidy which is contingent to export performance. For instance, if a government allows exporters to reimburse of specific percentage of the sales revenue generated through exports of a particular product, it will be considered as an illegal export subsidy (International Trade Center, 2009). Regarding this issue, an official in export councils explained:

The ESP in Egypt is compliant with the WTO regulations, because it is not considered as export subsidy. Exporters pay taxes and do not pay back these taxes when exporting. Thus, the amounts they reimburse from the government compensate the taxes they pay (interview, March, 2020).

The ESP in Egypt is not considered as an export subsidy. The prohibited subsidy as defined by the WTO is “*any subsidy that is made contingent either on export performance or on the use of domestic rather than imported goods*” (International Trade Center, 2009). Although the ESP in Egypt is contingent on export performance, it still not a subsidy. Exporters does not benefit from the legal drawback system in Egypt. It is very difficult to track imported raw materials that are consumed in the production of exports. Exporters could not leverage the remission or drawback of import charges levied on their imported inputs. Therefore, the GoE tries to compensate them to be able to compete in the global markets.

In addition to the SDGs and WTO regulations, the ESP is responding to Egypt SDS- Vision 2030. The economic pillar of the vision is:

“By 2030, the Egyptian economy is a balanced, knowledge-based, competitive, diversified, market economy, characterized by a stable macroeconomic environment, capable of achieving sustainable inclusive growth. An active global player responding to international developments, maximizing value added, generating decent and productive jobs, and a real GDP per capita reaching high-middle income countries level” (Ministry of Planning, Monitoring and Administrative Reform, 2017).

The ESP program is set to contribute directly to this vision as increasing exports leads to improved competitiveness, created decent jobs and increased value added. One of main indicators of this pillar is to increase the budget allocated for the export support from LE 2.6 billion in 2015 to LE 6 billion in 2020, then to LE 8 billion in 2030 (Ministry of Planning, Monitoring and Administrative Reform, 2017). As planned, the budget of the program has been increased to LE 6 billion in 2019/2020 (Ministry of Finance, 2019).

In addition to Egypt SDS- Vision 2030, the government ESP contributes to the Industry and Trade Development Strategy 2016-2020. The vision of the strategy is:

“Industrial development to be the engine of sustainable and inclusive economic development in Egypt, which meet domestic demand and enhance exports growth, for Egypt to become a key player in the global economy and capable of adjusting to international developments” (Ministry of Trade and Industry, 2016).

This vision is based on an export-led growth approach which targets to boost the export growth rate by 10% annually (Ministry of Trade and Industry, 2016). The successful implementation of the ESP will increase growth rate of Egypt export, so the program is relevant to the Industry and Trade Development Strategy 2016-2020.

Consequently, the ESP in Egypt has synergy with SDGs, WTO regulations, Egypt Vision 2030, and the Industry and Trade Development Strategy 2016-2020.

3. Type of Support and Executive Regulations

The ESP in Egypt offers financial and non-financial support. The program which was endorsed by the government in 2019 provides six sub-programs as follows:

- **Deepening Local Manufacturing Program (DLMP):** It aims at encouraging firms to increase their value added by linking the amount of support with firm value added (Export Development Fund, 2019). For example, in the chemicals sector, firms that have value added between 40% - 49% receive support of 7% of their export transactions; firms that have value added between 50% to 59% receive support of 9%; while firms that have value added above 59% receive support of 10% (Export Development Fund, 2019). The percentage of support varies from sector to sector.
- **Shipping to Africa Program (SAP):** It is designed for firms which do not benefit from the DLMP. Usually shipping to Africa is associated with high costs, so the program tries to reduce shipping burdens by covering 50% of exporters' transportation cost to Africa.
- **SMEs Program:** It gives privilege to SMEs to accelerate their export performance. In addition to the support they receive from DLMP, Small exporters receive additional 2% of their exports transactions, while medium enterprises obtain 1% of their exports transactions. (Export Development Fund, 2019). The program defines small exporters as firms who have annual export values equal to or less than USD 1 Million, while medium exporters are firms whose annual exports ranges from USD 1 million to USD 10 million (Export Development Fund, 2019).
- **Export Acceleration Program (EAP):** It aims at encouraging firms to increase their exports. If medium and large companies achieve an increase in their exports ranges from 20% to 30%,

they will receive 10% of the percentage that they get from the DLMP, while if they achieve an increase more than 30%, they will obtain 15% of the percentage that they get from the DLMP (Export Development Fund, 2019). On the other hand, if small companies achieve an increase in their exports ranges from 20% to 30%, they will receive 20% of the percentage that they get from the DLMP, while if they achieve an increase more than 30%, they will obtain 30% of the percentage that they get from the DLMP (Export Development Fund, 2019).

- **Upper Egypt and Border Region Program (UEBRP):** It gives more assistance to firms that operate in Upper Egypt and boarder areas by giving them additional support accounting for 50% of the percentage they receive from the DLMP (Export Development Fund, 2019).
- **Improving Export Infrastructure Program (IEIP):** It offer non-financial services to exporters such as exhibitions, training, technical assistance, and quality certificates.

Exporters receive the support through a reimbursement mechanism (Export Development Fund, 2019). Companies submit their documents of their export transactions, then receive the financial support from the government (Export Development Fund, 2019). To benefit from the program, companies should have minimum value-added of 40%. Firms who are operating inside the free zones receive half of the support of firms that are operating outside the free zones.

The total amount of support disbursed to each firm is divided into 3 categories. (i) Direct cash transfer which represents 40% of firm support (Export Development Fund, 2019). (ii) Settlement of financial obligations which represents 30% of firm support (Export Development Fund, 2019). This kind of support is meant to settle taxes or any other financial obligations of exporters towards the government. (iii) Improving export infrastructure which represents 30% of the program budget (Export Development Fund, 2019). This kind of support includes technical assistance, capacity building, training, product development, access to information, technology transfer, trade fairs and trade missions.

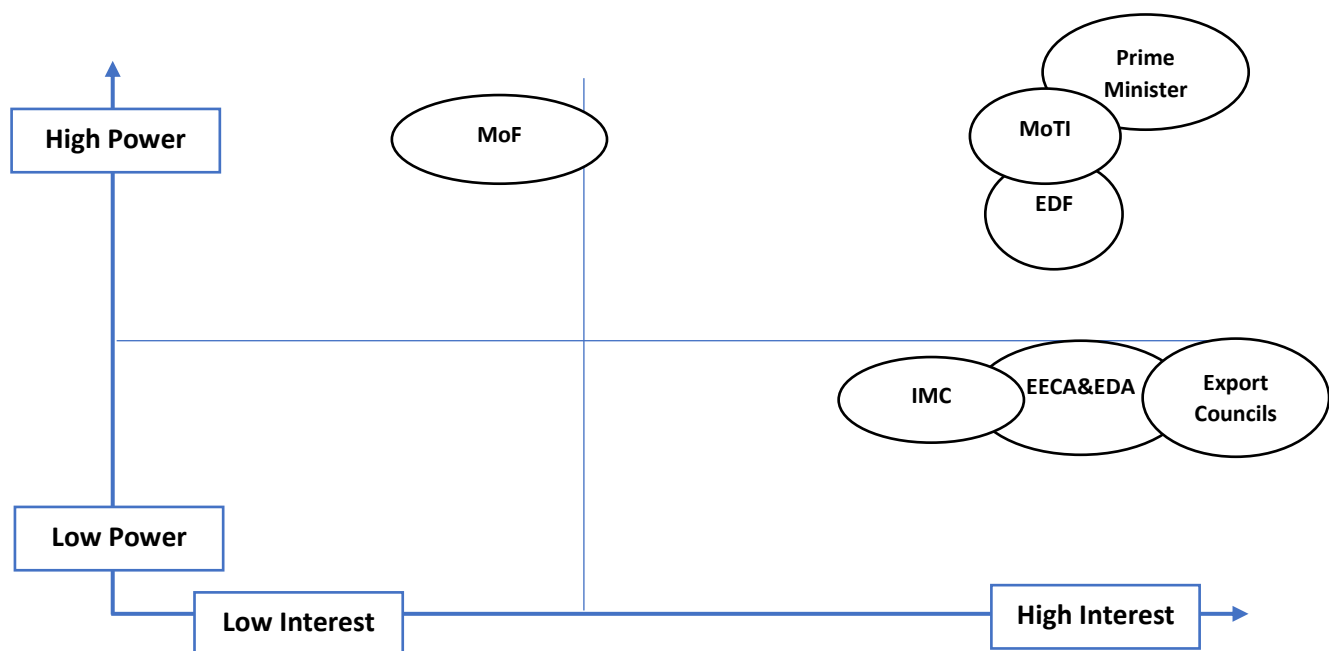
The following example shows how exporters receive the support from the program. A small exporting company located in Upper Egypt, working in RMG sector, having value added of 40%, sourcing its raw materials from local producers, and has an export value amounted to USD 100,000. This firm will receive 10% of its export value + 2% as it is a small firm +5% as it operates from Upper Egypt. Thus, the total amount of support received by this company is 17% of USD

100,000 which equals to USD 17,000. Out of the USD 17,000, the exporting firm will get 40% as a direct cash support, 30% as a tax settlement, and 30% for technical assistance.

4. Stakeholders Analysis

Figure No. 21 gives an overview of the relevant stakeholders who affect or be affected by the program. The Y axis of the figure shows the level of power of each organization, while the X axis represents the level of interest. There are mainly eight relevant stakeholders of the program: Prime Minister, MoTI, EDF, Export Councils, Ministry of Finance (MoF), EECA, EDA, and IMC.

Figure 21: Stakeholders Analysis



Source: Constructed by author, based on interviews

Stakeholders with High Power and High Interest

The Prime Minister is considered one of key stakeholders who chair the board of directors of the EDF. He takes the final decisions regarding the program scope and budget in coordination and consultation with all relevant ministers. At the same time, he is very interested in the program, because the government vision is to boost and foster Egypt exports. Before 2019, exporters did not

use to see the Prime Minister leads policy dialogues sessions of the program. An official in export councils mentioned:

During the designing phase of the new ESP in 2019, it was the first time I see the Prime Minister leads the public-private dialogue sessions with exporters, which reflects the government commitment to reform the program (interview, March, 2020).

Leading the program policy dialogue at the highest political level gave a positive impression among exporters. Firms face a lot of challenges when receiving the support from the EDF, so the Prime Minister intervention could solve a lot of challenges of the program design and implementation.

The Ministry of Trade and Industry (MoTI) plays a crucial role in designing and controlling the export support program. The Ministry is responsible for formulating industrial and trade policies which include export development policies. At the same time, it has high level of interest in the program as it seeks to increase exports by 10% annually (Ministry of Trade and Industry, 2016).

The Export Development Fund (EDF) is the ruler of the game which has a strong influence and high interest in the program. An official in export councils mentioned:

The EDF is the engine of the process. It plays an important role in designing the program, defining types of services, drafting its executive regulations, and delivering its services (interview, March, 2020).

The EDF leads the design process of the program. The Fund discusses with exporters their needs and tries, as much as it possible, to reflect those needs on the program design and services provided. After that, the fund prepares the executive regulations which defines how the program shall be implemented. To enter into force, the program should be endorsed by the EDF board of director.

The EDF acts as the cornerstone of the program execution. It receives the documents of firm export transactions, reviews them to ensure their validity, then defines the amount of support for

each company. Concurrently, the Fund receives total budget of the program from the government and transfers it directly or indirectly to exporters. A governmental official said:

The EDF deals directly with exporters through transferring amounts of the cash support to them, and indirectly by transferring the budget of exhibition and technical assistance to EDA or EECA which provides export promotion services to exporters (interview, December, 2019).

The cash support is being transferred directly from the EDF to exporters, while trade fairs budget used to be transferred from EDF to EDA or EECA in order to coordinate firms participation in international trade fairs. After collecting cost share from exporters, EDA or EECA is paying the full cost of participation to exhibitions' organizers.

Stakeholder with High Power and Medium Interest

Ministry of Finance (MoF) is responsible for designing and executing Egypt economic and financial policies. The Ministry has a strong influence on the program. An official in export councils mentioned:

The Ministry of Finance allocates the budget of the program and audits the expenditure process; additionally, in the new program, it will play a vital role in settlement of financial obligations of exporters (interview, March, 2020).

The MoF controls the whole government budget, so it allocates the budget to all government programs including the ESP. The Ministry works to rationalize budget spending. Since there are a lot of other priorities and the financial resources are limited, the ESP might not be perceived as a priority for the MoF. Another influence is the financial audit as all expenditure process of the program budget should be abided to the rules and regulation set by the MoF. Besides, the influence of the MoF will be expanded after allocating 30% of the program budget to the settlement of financial obligations of exporters (e.g. taxes).

Stakeholders with Medium Power and High Interest

Egypt Expo and Convention Authority (EECA) and Export Development Authority (EDA), which are affiliated to the MoTI, were being assigned interchangeably the responsibility of managing the Egyptian participation in international exhibitions. An export consultant mentioned:

After the revolution in 2011, EECA became the governmental organization that managed the Egyptian participation in international exhibitions, then in 2017, the EDA was tasked to coordinate this function instead of EECA, afterward in 2020, this function backed again to EECA (interview, March, 2020).

Both of these organizations were doing the same job at different points of time. This include receiving the budget of exhibitions from the EDF, coordinating with export councils to formulate trade fairs plan, collecting cost share from exporters, managing tendering process to hire private firms to design the Egyptian pavilion, and conducting some promotional activities for the Egyptian pavilion.

Export Councils are the groups that represent the interests of exporters in Egypt. There are twelve sectoral export councils: Agriculture Export Council, Food Export Council, Engineering Export Council, Chemical and Fertilizers Export Council, Building Material Export Council, Export Council of Printing, Packaging and Papers, Leather Export Councils, Furniture Export Council, Textiles, Apparel and Home Textiles Export Council, Export Council for Medical Industries, Export Council for Handicrafts, and Export Council of Real Estate (Ministry of Trade and Industry, 2020).

The Export Councils play a crucial role in lobbying and public-private dialogue. An official in export councils mentioned:

Export Councils are the voice of exporters. They inform the government policy to design an ESP responds to the needs of private sector (interview, March, 2020).

Firms of Export Councils interact with global value chains starting from sourcing raw materials till selling final products in international markets. They touch business environment in Egypt and

global markets. Thus, they act as advisory board who represent private sector opinion in their dialogue with the government.

The Industrial Modernization Center (IMC) is a quasi-governmental organization affiliated to the MoTI. The IMC was coordinating the function of participation in trade fairs before 2011. From 2011-2018, it did not have any role in the program, then in the new program of 2019, the Center could take part in the program implementation. A governmental official said:

In the new program, the IMC has been assigned to provide training, quality certificates, and technical assistance services to exporting firms (interview, March, 2020).

The IMC has a long history in providing technical assistance to manufacturing sector. The new ESP would build on the IMC expertise to enhance competitiveness of exporters. This kind of support is very important to SMEs. They have a lot of challenges in production and marketing functions, so IMC would play an important role in overcoming these challenges.

Therefore, there are many stakeholders having different levels of power and interest. Each organization has its own position towards the program. Thus, the role of the Prime Minister is very important in order to create synergy and coordinate among all stakeholders to having a concerted national effort aiming at reforming the ESP and improving Egypt export performance.

Conclusion

The government ESP in Egypt is an important intervention towards internationalization and strengthening competitiveness in export markets. The program has started since 2002 to facilitate access to the global markets and upgrade local value added of the national industries. The program has experienced four eras. The establishment phase in 2002 by endorsing the Export Development Law no. 155, active service delivery period from 2003 to 2010, the low performance phase from 2011 to 2018, then, recently, the reform phase in 2019.

The Program is fully aligned with the SDGs, WTO regulations, Egypt SDS- Vision 2030, and the Industry and Trade Development Strategy 2016-2020. The ESP provides six sub-programs: DLMP, SAP, SMEs Program, EAP, UEHRP, and IEIP. The program budget is classified into three

main categories: (i) Direct cash transfer, 40% of the program budget, (ii) Settlement of financial obligations with 30% of the budget, and (iii) Improving export infrastructure, 30% of the budget.

The eight stakeholders influence the ESP with various levels of importance and influence. Stakeholders with high power and interest are: Prime Minister, MoTI, and EDF. The stakeholder who has high influence and medium interest is the MoF. The stakeholders who have medium power and high interest are EECA, EDA, Export Councils, and IMC. To ensure effective management of those stakeholders, the Prime Minister should coordinate among them to ensure that they are working to achieve one objective which is increasing Egypt exports.

B. Challenges of Egypt ESP

Findings reveals two themes of the challenges that face the government ESP in Egypt. Table 15 shows these challenges and their level of impact. The first theme is program design issues which includes eight challenges, and the second them is the program implementation which involves four challenges. They will be explained in this section.

Table 15: Classification of challenges of the export support program in Egypt

Theme	Challenges	Impact*
1. Program Design Issues	B.1.1. Service-based not result-based program	Very High
	B.1.2. Absence of strong monitoring and evaluation (M&E) systems	Very High
	B.1.3. A lack of a sustainability strategy	Very High
	B.1.4. Underrepresentation of private sector in the board of directors of the EDF	High
	B.1.5. Restricted support and rigid budget distribution	High
	B.1.6. Inappropriate response to different needs of exporters	High
	B.1.7. Limited support to potential exporters	Moderate
	B.1.8. Putting SMEs at a disadvantage for obtaining the support	Moderate
2. Program Implementation	B.2.1. Continuous change of implementing agencies and regulations of participation in international trade fairs	Very High
	B.2.2. Bureaucracy and long procedures	Very High
	B.2.3. Lack of financial resources of implementing agencies	High
	B.2.4. Low performance of government employees	High

Source: Constructed by author based on interviews findings.

* Impact (very high – high – moderate – low – very low).

1. Program Design Issues

Under the program design issues, there are eight challenges affecting the program. Three of them have very high impact (B.1.1. service-based not result-based program, B.1.2. absence of strong M&E system and B.1.3. a lack of sustainability strategy); three have high impact (B.1.4. underrepresentation of private sector in the board of director of the EDF, B.1.5. restricted support and rigid budget distribution and B.1.6. inappropriate response to different needs of exporters) and two have moderated impact (B.1.7. limited support to potential exporters and B.1.8. putting SMEs at a disadvantage for obtaining the support).

B.1.1 Service-based not result-based program (very high impact): The ESP is designed as a service-based program. It focuses mainly on services provided to exporters without addressing results chain of the intervention. It does not have clear outputs, outcomes, and impact. An export consultant explained:

The program is designed inappropriately. It offers a number of services to exporters without clear results to be achieved and measured (interview, March, 2020).

Design of Egypt ESP lacks core elements of any development endeavor. There is no clear definition of the problem and its root causes, needs of different target groups, results chain, program strategy, and Key Performance Indicators (KPIs). Absence of these factors have negative consequences on achieving impact of the program (Kettner et al., 2008). Egypt ESP does not have measurable objectives, even the announced objective of the program which is doubling Egypt non-petroleum exports within five years is not well defined. Supposedly, any government ESP deals with firms export competitiveness, so program objectives should reflect change of firms export capabilities not export volumes (Wang et al., 2017). Export volumes could be reflected at impact level of the program not at the objective level (Rincón-Aznar et al., 2015).

B.1.2 Absence of strong monitoring and evaluation (M&E) systems (very high impact): The EDF does not adopt strong M&E systems. This hinders policy makers from getting very important information about the spent money. A governmental official explained:

The ESP in Egypt neither monitored nor evaluated. Without strong M&E system, the government will not be able to improve the program (interview, March, 2020).

The M&E are the core of sound management of development programs. Lack of this crucial tool hinder revealing important information regarding effects of the ESPs according to beneficiaries' size, products, and types of services (Catanzaro et al., 2019; Njinyah, 2018; Wang et al., 2017; Martincus et al., 2012). Thus, enhancement endeavors in the program are not well-informed with past program performance and is based only on assumptions.

B.1.3 A lack of a sustainability strategy (very high impact): The program lacks a sustainability strategy. There is no exit strategy for beneficiaries or ceiling for the subsidy that companies receive. Beneficiaries of the program have obtained subsidy for more than 18 years without ending. A governmental official explained:

Since the ESP has started, beneficiaries have been the same; Does it make sense that beneficiaries still receive a support from the government over 18 years without an exit and sustainability strategy (interview, March, 2020).

The program is not focusing on formulating development path for beneficiaries. The rational of providing support to firms until they reach a maturity level then exit from program is not pursued. Thus, the program has a short-term effect. After the revolution in 2011, the program was not providing its support regularly. A lot of program beneficiaries, especially small firms, were not able to survive in global markets. Cadot et al., (2015) found the same problem in Tunisia. They tested the sustainability of Tunisia export promotion program, three years after offering the support. They found that impacts on program beneficiaries were not significantly different compared with the control group. Cadot et al., (2015) explained that the main reason for that was the approach of the program which did not focus on improving competitiveness of firms. This is exactly what is happening in Egypt as the ESP did not place priority to strengthen firms product quality, especially SMEs, which affects negatively impact sustainability of the program.

B.1.4 Underrepresentation of private sector in the board of directors of the EDF (high impact): The board of director of the EDF, which designs the ESP, is dominated by the government. Private sector is underrepresented with a little influence on decision-making process. An official of export councils mentioned:

Private sector is involved in the policy dialogue of the program, but the final decision making is controlled by the government due to the underrepresentation of private sector in the EDF board of director (interview, March, 2020).

Taking decision without real participation of the private sector might lead to failure of the program (Lederman et al., 2010). All regressions models that developed in previous studies found that exports volumes increase with the share of ESIs' executive board seats that are occupied by the private sector, even if the ESIs are publicly funded (Lederman et al., 2010).

B.1.5 Restricted support and rigid budget distribution (high impact): As explained in the previous section, the amount of support provided to each exporter is divided into three main categories (40% cash, 30% financial obligations settlement, and 30% improving export infrastructure). If an exporter has dues of LE 100,000, s/he would get LE 40,000 as a cash, LE 30,000 to be settled with government such as taxes or other financial obligations, and LE 30,000 as services such as training or participation in international trade fairs. This classification does not respond to the needs of different exporters. An exporter mentioned:

I did not participate in an international exhibition this year, and I do not have any financial obligations against the government. This means that I will not be able to reimburse 60% of my dues from the program (interview, March, 2020).

The restricted support hinders exporters from leverage the full support of the program. Exporters financial obligations against the government might be lower than the 30% of the support they should reimburse, or the cost of their activities related to improving export infrastructure might be lower than the 30% of the support they should reimburse. Thus, they will not be able to fully reimburse their dues from the program.

B.1.6 Inappropriate response to different needs of exporters (high impact): The services provided by the program are size-blinded which deal with small, medium, and large exporters as one group having the same obstacles and needs. The program has fixed types of support for all exporters. This approach does not meet different needs of firms. Absence of precise definition of the program target groups and final beneficiaries has led to offering one solution fits all. An exporting firm explained:

The program treats all exporters as one group with the same needs. However, SMEs exporters has different challenges from large firms (interview, March, 2020).

Export barriers depend on level of export maturity of each firm (Kahiya & Dean, 2015). Majority of challenges that small enterprises face are internal related to information, management, product, promotion, and financial resources (Leonidou, 2004). The burden of these obstacles on large firms are lower than SMEs (Kahiya & Dean, 2015). The Egypt ESP does not consider this issue. Although, the program provides extra support to SMEs, they receive it after completing their export transactions. This privilege is not well-designed because SMEs face barriers before conducting export transactions, which means that they need the support before not after completing export transactions.

B.1.7 Limited support to potential exporters (moderate impact): Creating new generation of exporters is not taking a priority in the program. Providing technical assistance to help non-exporting firms internationalizing their businesses and penetrating export markets is very important. The program grants limited support to non-exporting firms through participation in international trade fairs. An official in export councils explained:

Non-exporting firms are able to leverage only one type of the program support which is participation in trade fairs. This is good but not enough to create new generation of exporters and boost Egypt exports (interview, March, 2020).

One of the main challenging factors of the program is its inability to expand the base of exporters and increase their numbers. Historical data revealed that number of exporting firms was 7,302 in 2010 and declined to 6,997 firms in 2017 (GOEIC, 2017). This decrease was coming from the limited support offered to create new generation of exporters. The GoE aims to double its exports within five years (Al Ahram English Newspaper, 2019). The government will not be able to achieve this target without creating new generation of exporters, because large exporters already reached their full capacity.

B.1.8. Putting SMEs at a disadvantage for obtaining the support (moderate impact): The amount of the program support is provided to firms according to their export volumes. The higher the export volumes of a firm, the higher amount of support it receives. This means that majority of the

program resources and services go to large enterprises, while SMEs who represent 96% of total number of exporting firms (GOEIC, 2017) obtain small amount. An export consultant mentioned:

Large enterprises are the main beneficiaries of the program, while small enterprises get tiny portion of the support (interview, March, 2020).

In Egypt, large enterprises constitute 75.6% of Egypt exports value, medium enterprises represent 19.5%, while small enterprises are 4.8% (GOEIC, 2017). Each firm obtains its support as a percentage of its export volumes. Thus, it is estimated that large enterprises receive more than the two-thirds of the program services, medium obtain almost one fifth of the services and small firms get about 5%. The problem of accessibility to services was raised by Tesfom& Lutz (2008) who found that small companies disadvantaged in obtaining export development services compared with large corporations who have more accessibility to export development programs.

2. Program Implementation

Under the program implementation, there are four main challenges affecting the program. Two of them have very high impact (B.2.1. continuous change of implementing agencies and regulations of participation in international trade fairs and B.2.2. bureaucracy and long procedures), and two have high impact (B.2.3. lack of financial resources of implementing agencies and B.2.4. low performance of government employees).

B.2.1 Continuous change of implementing agencies and regulations of participation in international trade fairs (very high impact): Before 2011, Egypt participation in international trade fairs was implemented by Expolink which was a well-established business association had a good expertise in trade fairs. After 2011, execution of the trade fairs was assigned to EECA which is a governmental organization, then in 2017 it was transferred to EDA, a governmental organization, after that in 2020, EECA become again the implementing agency. This change affected negatively efficiency and effectiveness of the support, because EECA and/or EDA are not ready to manage this task efficiently. An export consultant explained:

Implementing the trade fairs program by EECA and/or EDA was a fetal mistake and harmed Egypt reputation abroad, because they do not have enough resources and

experience to efficiently execute the international exhibition program (interview, March, 2020).

Giving the task of international exhibitions to a governmental organization is a big challenge. The first reason is the complicated financial procedures which could take several months to pay the cost of participation to trade fairs' organizers. In many cases fees were transferred after ending the trade fairs. Thus, some organizers were suspending the Egyptian pavilion due to the delay of payment. The second reason is using traditional tools in promoting and marketing the Egyptian pavilion abroad. Successful participation in trade fairs depends mainly on creativity of marketing strategies. Therefore, delivery of the two organization did not achieve the expected results.

Another challenge related to the trade fairs was the reduction of the support rate. Before 2017, the support for small exporters was 80% of the cost of participation in international exhibitions, while medium and large firms were receiving 60%. In 2018/2019, the program changed the rules of support. It classified the support according to exporters size and target markets. For trade fairs that were holding in Africa or Latin America countries, the program was granting small exporters with 70%, medium with 60%, and large companies with 40%. Regarding trade fairs organized in other countries, small firms were receiving 50%, medium 40%, and large corporations 30%. This decrease in support values discouraged small exporters' participation in trade fairs

Moreover, executive regulations of participation types in international exhibitions are restricted. There are two types of participation in the international trade fairs: collective participation and single participation. The Egyptian companies face different challenges for each kind. Collective participation is a group participation in an international trade fair under the umbrella of the Egyptian Pavilion. The minimum number of the collective participation is ten companies, which is a very challenging. A governmental official explained:

In many cases, there is a group of eight or nine companies wants to participate in a specific trade fair under the Egyptian Pavilion, but they could not because the group members should be at least ten companies (interview, November, 2019).

The minimum number of ten firms is preventing firms from leveraging the collective participation under the Egyptian Pavilion. In the previous program, the minimum number of the

group members was five companies, so it was easy for them to participate in as a group. Due to that, many exporters use the option of single participation. The program allows firms to participate in trade fairs individually, but they pay 100% of the cost of participation, then reimburse their financial support amount from the government after coming back from the exhibitions. This considers an obstacle for small exporters. A governmental official explained:

The single participation needs cash and liquidity. On average, participation in a trade fair in Europe costs EUR 12,000. Most properly, medium and larger companies can afford this cost, while small companies cannot (interview, November, 2019).

Small exporters, usually, suffer from shortage of financial resources to finance their export activities (Leonidou, 2004). Paying the full cost, instead of paying the cost share, then reimburse the amount of support, affects the cash flow of small exporters. This prevents small exports from participating in trade fairs or reducing number of trade fairs in which they used to participate in. Negative consequences are foreseen on export volumes of small exporters because trade fairs are considered as an important tools to find and maintain international buyers (Catanzaro et al., 2019).

B.2.2 Bureaucracy and long procedures (very high impact): One of the key challenges that threatens the government ESP is the mechanism of implementation and transferring fund from government to exporters. The process takes a lot of time and effort. To be able to obtain the support, exporters should be compliant with the program executive regulations. New program beneficiaries are required to submit nineteen documents in each time they submit a reimbursement request plus eight documents submitted once a year, totaled 27 documents (Export Development Fund, 2019). On the other hand, current beneficiaries should submit nine documents attached to each reimbursement request plus eight documents submitted once a year, totaled 17 documents (Export Development Fund, 2019). An official in export councils mentioned:

The EDF might take more than one year to disburse exporters dues because of bureaucracy and long procedures (interview, March, 2020).

The objective of adopted processes and required documents is to prevent any fund manipulation experienced by some exporters in the past. However, the problem is that the workflow of the EDF is manual, and the fund receives thousands of requests each year. Verifying

all of these documents by the EDF employees take a lot of time and might reach more than one year to disburse the support to applicants. This leads to inefficiencies of the program, because it increases unnecessary financial costs paid by firms in their relation with the government, as well as time and effort private sector spent in order to complete such transactions. Thus, bureaucracy could take the valuable time away from the productive activities of small businesses (Verheul et al., 2002).

B.2.3 Lack of financial resources of implementing agencies (high impact): The key governmental implementing agencies of the program, EDF, EECA and/or EDA, suffer from the lack of financial resources. This resulted in inefficiency in service delivery. An official in export councils explained:

Allocated budget for the implementing agencies is insufficient which led to badly-paid employees and poor technology infrastructure; in many times, export councils were providing the EDF with financial support to help doing its work properly (interview, March, 2020).

Inadequate fund is one of the critical challenges that faces ESIs in developing countries which leads to underperforming agencies (Lederman et al., 2010). The implementing agencies of Egypt ESP are not well resourced. They lack competitive salaries and sufficient financial rewards, even laptops and official emails were not available over long period. This problem led to a reverse situation which obliged the export councils, whose members are supposedly the beneficiaries of the program, to provide financial support to the EDF which is supposedly the main implementing agency of the program. This reverse situation was happening in order to allow the EDF overcoming the lack of resources and do its work efficiently.

B.2.4 Low performance of government employees (high impact): Another barrier is the low performance of employees who implement the program. Lederman et al. (2010) argued that ESPs in developing countries suffer from inefficient employees who affect services delivery and clients' orientation. Performance is attached to people themselves not to their numbers. A senior governmental official mentioned:

I am suffering from underperformer employees due to poor financial benefits and low qualifications (interview, November, 2019).

Underperformance of the employees is a result of various reasons. They do not deliver results effectively because they do not derive competitive financial package. Low salaries always attract low qualified employees. Additionally, failure to connect them with the objective of their agencies, absence of motivation and engagement, and weak framework of measuring performance have led to demotivated employees with low performance.

Conclusion

To conclude, the findings of interviews involves two main themes under each there are various challenges. The first theme is the program design which involves three challenges with very high impact (B.1.1. service-based not result-based program, B.1.2. absence of strong monitoring and evaluating (M&E) systems and B.1.3. a lack of a sustainability strategy), three have high impact (B.1.4. underrepresentation of private sector in the board of directors of the EDF, B.1.5. restricted support and rigid budget distribution and B.1.6 inappropriate response to different needs of exporters) and two with moderate impact (B.1.7. limited support to potential exporters and B.1.8. putting SMEs at a disadvantage for obtaining the support). The Second theme is program implementation which consists of four challenges. Two of them have very high impact (B.2.1. continuous change of implementing agencies and regulations of participation in international trade fairs and B.2.2. bureaucracy and long procedures), and two have high impact (B.2.3. lack of financial resources of implementing agencies and B.2.4. low performance of government employees).

C. Influencing Factors of Egypt ESP

This section explains the factors that influence the government ESP in Egypt. Table 16 outlines findings of the study which reveals two influencing factors: firm capabilities and export business environment. Barriers under these factors hinder achieving effectively the program objectives. There are five barriers related to firm capabilities and three barriers related to export business environment. They will be analyzed in this section.

Table 16: Classification of influencing factors of the export support program in Egypt

Factors	Challenges	Impact*
1. Firm capabilities	C.1.1. Unavailability of information about international markets	Very High
	C.1.2. Difficulty in meeting competitors' prices	Very High
	C.1.3. Suffering in finding new export opportunities and reliable customers	Very High
	C.1.4. Lack of financial resources	High
	C.1.5. Obstacle of compliance with product quality and standards	High
2. Export Business Environment in Egypt	C.2.1. Low efficiency of trading across boarder	Very High
	C.2.2. Absence of industrial and trade policy	High
	C.2.3. Governance challenges of public institutions	High

Source: Constructed by author based on interviews findings.

* Impact (very high – high – moderate – low – very low).

1. Firm Capabilities

There are five barriers exist under firm capabilities associated mainly with SMEs. Three of them have very high impact (C.1.1. unavailability of information about international markets, C.1.2. difficulty in meeting competitors' prices and C.1.3. suffering in finding new export opportunities and reliable customers); and two of them have high impact (C.1.4. lack of financial resources and C.1.5. obstacle of compliance with product quality and standards).

C.1.1 Unavailability of information about international markets (very high impact): Egypt small exporters face a lot of informational barriers. They include information about international demand, market prices, competitors, and distributions channels. An exporting firm explained:

Access to updated and accurate information is a big barrier for small exporters. This hinders me from taking well-informed decisions (interview, March, 2020).

Unavailability of information is one of the highest barriers that affects management export-related decisions (Leonidou, 2004). Lack of information increases uncertainty and risk of doing business abroad. Obtaining tailor-made market intelligence reports is costly for SMEs, so they depend mainly on their personal experience or freely available sources. Information of these sources are mainly outdated, inaccurate, and incomplete (Czinkota & Ilkka, 2001).

C.1.2 Difficulty in meeting competitors' prices (very high impact): Having competitive prices in international markets is one of severe impediments face Egyptian exporters. A lot of factors affect the pricing strategy including doing business environment, production and distribution costs, and export development programs in other countries. Controlling these factors is very difficult and some of them are uncontrollable. An export consultant explained:

Difficulties of having competitive prices is attributed to three main factors: tariff and non-tariff measures in Egypt, production and distribution operations, and subsidizes granted to exporters in other countries (interview, March, 2020).

Egypt trade openness is low which ranked 137th out of 141 economies (World Economic Forum, 2019). Increasing tariff rates and non-tariff measures hinders flows of importing goods (International Trade Center, 2014). Exporting firms in Egypt source a lot of their inputs from abroad, so low trade openness increase costs of their final products. Moreover, cost structure of

the production and logistics affect price competitiveness (Kahiya, 2018). This includes energy costs, wages, certification, marketing activities, transportation and insurance costs. Moreover, exporters in other countries receive a lot of support from their government (e.g. China and Turkey), which allow them to offer more competitive prices. Thus, Egyptian firms struggle to meet competitors' prices in international markets.

C.1.3 Suffering in finding new export opportunities and reliable customers (very high impact):

SMEs exporters struggle in identifying new export opportunities and build strong relations with new customers in international markets. This is a result of various obstacles. A small exporter explained:

I am always trying to open new markets for my company, but I face a lot of difficulties due to lack of information about these markets and language barriers especially in Asia and East Europe Countries (interview, March, 2020).

SMEs are ill-equipped to expand their market share abroad. Unavailability of information about new potential markets such as market dynamics, international buyers' contacts, , distribution channels and regulations lead to concentration in export markets in which SMEs are exist (Catanzaro et al., 2019). Language and culture barriers, also, hinder exporters from communicating effectively with potential buyers and understanding culture and specific needs of local societies (Kahiya, 2018; Terpstra & Ravi, 2000).

C.1.4 Lack of financial resources (high impact): Majority of SMEs have shortage in financing their export operations. They do not have sufficient working capital to finance their export journey starting from searching for export opportunities, financing raw materials, to delivering final products. This long process increases financial burdens on SMEs. An exporting firms explained:

Export-related costs are very high. Sometimes, I lose clients due to inability to finance the export operations of multiple requests at the same time or offering credit facility to customers (interview, March, 2020).

The high cost of doing businesses abroad creates excessive financial pressure on SMEs. Barriers of financial resources moderate the relationships between predictor indicators (i.e. , international network contacts, knowledge intensity, and growth orientation) and internationalization (Baum et al., 2013). Without adequate cash flow, SMEs are not able to spend on export promotion and build strong relationship with international customers, knowledge transfer and product upgrading, and growth and expansion strategy. These obstacles could hinder achieving the national target of doubling the exports over five years.

C.1.5 Obstacle of meeting product quality requirements and compliance with market standards (high impact): Product quality and standards of international markets are different from those who are adopted in Egypt. Many firms, especially small and new exporters, struggle to meet quality and standards of international markets. These requirements and standards are different from sector to sector and product to another. The threat of this problem is its impact on the whole sector. An export consultant explained:

In 2017, Saudi Arabia has banned its imports of Strawberries and pepper from Egypt. The main reason for this ban was non-compliance of one exporter with the maximum limits of pesticide residues (interview, March, 2020).

Governments in international markets aims to protect health and safety of their consumers, so they develop regulations and standards to be applied on their imports. Small exporters face difficulties in compliance with these standards due to their poor-quality management system and costs associated with (Kahiya, 2018; Leonidou, 2004). The seriousness of this problem is its wide effect which is not limited to the non-compliant exporters, but it includes all firms. The Egyptian firm that failed to comply with the Saudi Arabia standards led to banning the whole imports from Egypt.

2. Export Business Environment in Egypt

There are three barriers that exist under the export business environment in Egypt. One of them has very high impact (C.2.1. Low efficiency of trading across border), and two of them have high impact (C.2.2. absence of industrial and trade policy and C.2.3. governance challenges of public institutions).

C.2.1) Low efficiency of trading across border (very high impact): The lower time and cost of trading across border, the higher exporters' competitiveness (Bianchi & Wickramasekera, 2013). Trading across border is one of the key obstacles that face exporters in Egypt. Egypt's rank in this indicator is low at 171st out of 190 economies (World Bank Group, 2020a). An export consultant mentioned:

To what extent do exporters suffer in a country whose rank in the trading across border indicator is 171st out of 190 countries? Could you imagine the burden of customs performance on their businesses? (interview, March, 2020).

As shown in chapter V, time and cost of importing in Egypt are relatively high compared with the average of MENA region. As long as many exporting companies import a lot of their inputs from foreign markets, the time and cost of importing procedure affect their business. Import border compliance takes 240 hours and costs USD 554 in Egypt, while it is 94.2 hours and USD 512.5 on average in MENA region (World Bank Group, 2020a). Moreover, the documentary compliance of imports in Egypt takes 265 hours and has fees of USD 1000, while MENA region average is 72.5 hours and USD 262.6 (World Bank Group, 2020a). These indicators refer to that procedures of imports are more complicated in Egypt which negatively affects exporters.

C.2.2) Absence of industrial and trade policy (high impact): over the last ten years, no industrial and trade policy has been adopted in Egypt. Lacking a clear vision on how it is going to develop the industrial sector and integrate into the global value chains has negative effect on the government ESP. An export consultant explained:

We do not have industrial and trade policy; Now, Industry 4.0 is changing the global value chains (GVCs); We need clear policy to inform us how Egypt will cope with this change and sustain locally and globally (interview, March, 2020).

The GoE pursues good measures that seek to develop the industrial and trade sector, but there is no comprehensive adopted policy. There was a strategy for industry and trade development, designed in the era of the former Ministry of Trade and Industry Eng. Tark Kabil, but after his change in 2018, there was no attention given to its execution. Recently, after the cabinet reshuffle in 2019, high attention is given again to develop an industrial and trade policy, but it is still in its early stages. Public policies are very important which direct all development programs and initiatives. The ESPs should be linked to the national policies and strategies (Downey, 2013). Thus, absence of adopted industrial and trade policies misleads the theory of change of the ESPs.

C.2.3) Governance challenges of public institutions (high impact): The institutional environment in Egypt is not business friendly. As shown in chapter V, Egypt public sector performance is ranked 88th out of 141 economies, while other countries such as Morocco and Turkey are in better positions, 34th and 46th, respectively (World Economic Forum, 2019). An export consultant explained:

Lack of coordination and inefficiency of public institutions harm export performance in Egypt (interview, March, 2020).

Lipuma et al. (2013) stressed the crucial role of institutions in export development, since the low performance of institutions leads to low export performance. In Egypt, there are many ministries and government organizations shape firm export performance. They are MoTI and its affiliates (e.g. Industrial Development Authority (IDA), Egyptian Organization for Standardization and Quality (EOS), GOEIC, EDF, IMC and EECA), MoF and its affiliates (e.g. Egyptian Customs Authority and Egyptian Tax Authority) and General Authority for Investment (GAFI). Coordination among all of these agencies is a very challenging and needs a lot of effort and resources. Moreover, efficiency of some of these organizations is perceived negatively among private sector investors. This lack of coordination and inefficiency of institutions influence the competitive advantage of exporters (Jieke et al., 2016).

Conclusion

To conclude, the findings of interviews found two main themes under each there are various challenges. The first theme is firm capabilities which includes five barriers associated mainly with

SMEs. Three of them have very high impact (C.1.1. unavailability of information about international markets, C.1.2. difficulty in meeting competitors' prices and C.1.3. suffering in finding new export opportunities and reliable customers); and two of them have high impact (C.1.4. lack of financial resources and C.1.5. obstacle of compliance with product quality and standards). The second them is the export business environment which involves three barriers. One of them has very high impact (C.2.1. low efficiency of trading across boarder), and two of them have high impact (C.2.2. absence of industrial and trade policy and C.2.3. governance challenges of public institutions).

VII. Conclusion and Policy Recommendations

This study examined the challenges and influencing factors of the ESP in Egypt. Over more than 18 years of execution, the program has not achieved its full potential yet. The value added of the exports has not been significantly upgraded. The volume of non-oil exports is still at a low of USD 24.9 billion (GOEIC, 2019) and the number of exporters has been stagnant over many years. At the same time, exporters claim that they do not get the program services efficiently or they are not sufficient. Moreover, when this type of support is provided, SMEs argue that large exporters get a big portion of this support, while SMEs, who represent 96% of total number of exporting firms, obtain a low percentage. Thus, this study investigated the root cause of this problem.

The government ESPs are defined as governmental interventions aim at enhancing firms export competitiveness to be able to enter and compete in the global markets. RBV and IBV are the key theories that explained the challenges and influencing factors that face the government ESPs. Most of empirical studies have used quantitative methods in examining this phenomenon. They addressed them from three main perspectives: effectiveness of government ESIs, firm internal variables and home county and export markets characteristics. All of these studies tried to explain the relationships between different indicators and analyze how they affect the government ESPs and export performance. But they did not analyze the root cause of these challenges. In this regard, this study filled this gap by using a qualitative method to explain the root cause of the challenges that hinder achieving the impact of government ESP in Egypt.

The conceptual framework of the study assumes that the government ESP in Egypt provides a set of services to exporters. The main objective of these services is to improve firm export marketing capabilities in order to enhance their exports performance. At the same time, there are two main factors influence the program impact, which are firm capabilities and export business environment in Egypt. Thus, the study investigated challenges of government institutions in designing and executing those services, weaknesses related to firm capabilities, and challenges related to export business environment in Egypt.

Since the study aims at exploring aspects which have limited existing research and are difficult to measure, the qualitative method was selected to investigate the research problem. The research strategy is in-depth interviews and document analysis. Twelve interviews were conducted. The classification of the sample is as follows: four interviewees are governmental officials who represent the supply side; two interviewees are owners of exporting firms and four were export councils' officials, who represent the demand side; and two export consultants who are neither provider nor beneficiary of the program, but they have solid experience in export development and brought different knowledge to the analysis. Additionally, document analysis was considered as a tool for research method. Different documents published by government, private sector and international organizations were analyzed to complement data needed for the analysis.

The benchmark analysis assessed the export business environment in Egypt in absolute and relative terms. Regarding institutions index, public sector performance in Egypt and corporate governance indicators are below the benchmark countries ranked 88th and 63rd, respectively. The time and cost of trade across boarder are relatively high compared with the average of MENA region and OECD countries. At the same time, the trade openness indicators are lagging behind comparators. However, the future orientation of the GoE is perceived positively by investors, and the quality of transport infrastructure stands at a good position which ranked 44th out of 141 economies.

Egypt Exports achieved moderate growth rate over the last period, but they have not achieved their full potential yet. The exports increased annually by 2.4% from USD 20.5 billion in 2010 to USD 24.9 billion in 2018, while imports increased annually by 5% from USD 48.3 billion in 2010 to USD 71.4 billion in 2018. This resulted in a deficit in the trade balance at USD -46.5 billion. At the same time, exports' contribution to the GDP accounted for 9.9% in 2018 compared with 9.4% in 2010, while exports per capita grew slowly at a CAGR of 0.2% from USD 249 in 2010 to USD 253 in 2018. Besides, Egypt exports are concentrated in two regions which are the Arab and the EU. However, the share of underrepresented regions, COMESA, Agadir, and MERCOSUR, went up in 2018. The high technology exports share only 0.87% of Egypt manufactured exports. In addition to that, Egypt exports are highly concentrated in seven sectors representing 81.1% of Egypt total exports. Their performance over the last period was not consistent. There are some

sectors grew in 2018 including chemical by 20%, RMG by 10%, textiles by 9%, and processed food by 1%. On the other hand, the rest sectors were declined involving engineering by 12%, agriculture by 6% and building material by 3%.

The findings of interviews showed that the government ESP in Egypt has experienced four eras. The establishment phase in 2002 by endorsing the Export Development Law no. 155, active service delivery period from 2003 to 2010, the low performance phase from 2011 to 2018, then, recently, the reform phase in 2019. The Program is fully aligned with the SDGs, WTO regulations, Egypt SDS- Vision 2030, and the Industry and Trade Development Strategy 2016-2020. With a total budget of LE 6 billion in 2019, the Export Support Program provides six sub-programs: DLMP, SAP, SMEs Program, EAP, UEBRP, and IEIP. The program budget is classified into three main categories: (i) Direct cash transfer, 40% of the program budget, (ii) Settlement of financial obligations with 30% of the budget, and (iii) Improving export infrastructure, 30% of the budget.

Eight stakeholders influence the ESP in Egypt with various levels of importance and influence. Stakeholders with high power and interest are: Prime Minister, MoTI, and EDF. The stakeholder who have high influence and medium interest is the MoF. The stakeholders who have medium power and high interest are EECA, EDA, Export Councils and IMC. To ensure effective management of those stakeholders, the Prime Minister should coordinate among them to ensure that they are working to achieve one objective which is increasing Egypt exports.

Based on the findings of interviews, the following table outlines the challenges and influencing factors of the program and their policy recommendations.

Program Design Issues
Challenges <ul style="list-style-type: none"> • B.1.1. Service-based not result-based program • B.1.2. Absence of strong monitoring and evaluation (M&E) systems • B.1.3. A lack of a sustainability strategy • B.1.4. Underrepresentation of private sector in the board of directors of the EDF • B.1.5. Restricted support and rigid budget distribution • B.1.6. Inappropriate response to different needs of exporters • B.1.7. Limited support to potential exporters • B.1.8. Putting SMEs at a disadvantage for obtaining the support
Policy Recommendations

- P.1 Move from a service-based to a result-based program. This would help improving the theory of change of the program and having measurable outcomes and objectives.
- P.2 Adopt M&E system. The M&E system would help taking evidence-based decisions. It is recommended to hire an external M&E agency to do this function efficiently.
- P.3 Develop a sustainability strategy. To ensure the program sustainability, the government should focus on improving export competitiveness of the ESP beneficiaries to ensure their sustainability in global markets after ending the program or after beneficiaries exist from the program.
- P.4 Increase the private sector representation in the board of director of the EDF. This will lead to providing services respond to the actual needs of private sector. Representation should consider different sectors and sizes of firms.
- P.5 Remove the strict classification of the support. Dividing the program services into the three categories (40% as a direct cash transfer; 30% as a settlement of financial obligations and 30% for improving export infrastructure) needs to be changed. The program should be flexible in offering services and make the choice to the private sector to select what they need.
- P.6 Design a separate program for SMEs. Demands of SMEs are different from large companies. Thus, it is recommended to design a separate program for SMEs focuses mainly on improving their export competitiveness. Alignment and coordination with all other institutions such as IMC and Micro, Small and Medium Enterprises Development Agency (MSMEDA) is very important.
- P.7 Design a program to create new generation of exporters. To be able to achieve the national targets of doubling the exports volumes within 5 years, the government needs to develop a program to create new generation of exporting firms. This program could be funded from donors and international development institutions.
- P.8 Allocate more support for SMEs. The current privilege of small and medium exporters who receive additional support of 2% and 1%, respectively, is not enough. Figures refers to that large corporations receive majority of the support, while SMEs, who are the neediest, obtain low amount. It is recommended to reverse this situation gradually by increasing the amount of support provided to SMEs versus large firms. This change is very critical and sensitive because it could affect the export competitiveness of enterprises. Thus, the M&E system should analyze the effects and consequences of this shift on the country export performance.

Program Implementation

Challenges

- B.2.1. Continuous change of implementing agencies and regulations of participation in international trade fairs
- B.2.2. Bureaucracy and long procedures
- B.2.3. Lack of financial resources of implementing agencies
- B.2.4. Low performance of government employees

Policy Recommendations

- P.9 Assign implementation of the international exhibitions program to a private corporation. The EECA should be involved only on planning and monitoring the trade

<p>fairs activities, while the execution should be assigned to a large private corporation specialized in trade fairs. This will improve efficiency of implementing these activities and enhance promotional activities abroad.</p> <ul style="list-style-type: none"> • P.10 Foster procedures of dues reimbursement. The EDF receives thousands of disbursements request each year. Document verification consumes a lot of time and cost. Thus, it is recommended to assign documents verification process to private accounting firms (like the procedures of submitting tax declaration). Then, the EDF could select random sample from exporters to verify their documents. This could facilitate the process which now takes more than one year. • P.11 Change organizational culture of the implementing agencies. Public institutions that promote internationalizations requires specific culture to be able to support private sector entering new markets and expanding in the existing markets. This needs culture of innovation, design thinking, intelligence, customer oriented, and knowledge sharing. This will help in improving employees' performance and delivering results.
Firm Capabilities
<p>Influencing factors</p> <ul style="list-style-type: none"> • C.1.1. Unavailability of information about international markets • C.1.2. Difficulty in meeting competitors' prices • C.1.3. Suffering in finding new export opportunities and reliable customers • C.1.4. Lack of financial resources • C.1.5. Obstacle of compliance with product quality and standards
<p>Policy Recommendations</p> <ul style="list-style-type: none"> • P.12 Establish an export intelligence unit. Having updated and accurate information about international markets is very crucial for policy makers and private firms. Thus, it is recommended to establish an export intelligence unit inside the EDF to be responsible for preparing studies and subscribing in international information portals. These resources should be channeled to exporters in an innovative way. • P.13 Reform the draw back system in Egypt. Exporters does not benefit efficiently from the legal drawback system in Egypt. Reforming this system will help exporters leveraging the remission or drawback of import charges levied on their imported inputs. This will increase their price competitiveness. • P.14 Open new export markets. The government should focus on opening new markets though organizing more high-level missions to Africa, South America, and East Europe regions. The proposed export intelligence unit will help a lot in studying these markets. • P.15 Provide more banking and non-banking services to exporters. New financial products should be offered to exporters in order to overcome bottlenecks of financing export activities.
Export Business Environment in Egypt
<p>Influencing Factors</p> <ul style="list-style-type: none"> • C.2.1. Low efficiency of trading across boarder • C.2.2. Absence of industrial and trade policy • C.2.3. Governance challenges of public institutions

Policy Recommendations

- P.16 Foster the procedures of importing. As showed in the analysis, the cost and time of importing in Egypt is high which affect competitiveness of exporters who source a lot of their inputs from abroad. Thus, the government should invest a lot in facilitating customs procedures.
- P.17 Adopt an industrial and trade policy. Developing an industrial and trade policy is very important. This will define the overall objectives of the industrial and trade development in Egypt and formulate policy measures to reach these objectives, which will guide the objectives of the ESP and coordinate all the efforts to achieve one goal.
- P.18 Enhance governance and coordination mechanism within public organizations. It is recommended to place priority to enhance governance structure and foster horizontal coordination within the government to reach the export targets.

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