

American University in Cairo

## AUC Knowledge Fountain

---

Papers, Posters, and Presentations

---

2021

### Establishing an Institutional Framework for the Handicrafts Clusters in Egypt/ إنشاء إطار مؤسسي لتجمعات الحرف اليدوية في مصر

Dina Elkhishin dinaelkhishin@aucegypt.edu

Mariam Walid mariamwalid@aucegypt.edu

Nada Kassem nadakassem@aucegypt.edu

Noheir Khairy *The American University in Cairo AUC*, noheirkhairy@aucegypt.edu

Follow this and additional works at: <https://fount.aucegypt.edu/studenttxt>



Part of the [Economic Policy Commons](#), [Other Public Affairs](#), [Public Policy and Public Administration Commons](#), [Policy Design, Analysis, and Evaluation Commons](#), and the [Public Policy Commons](#)

---

#### Recommended Citation

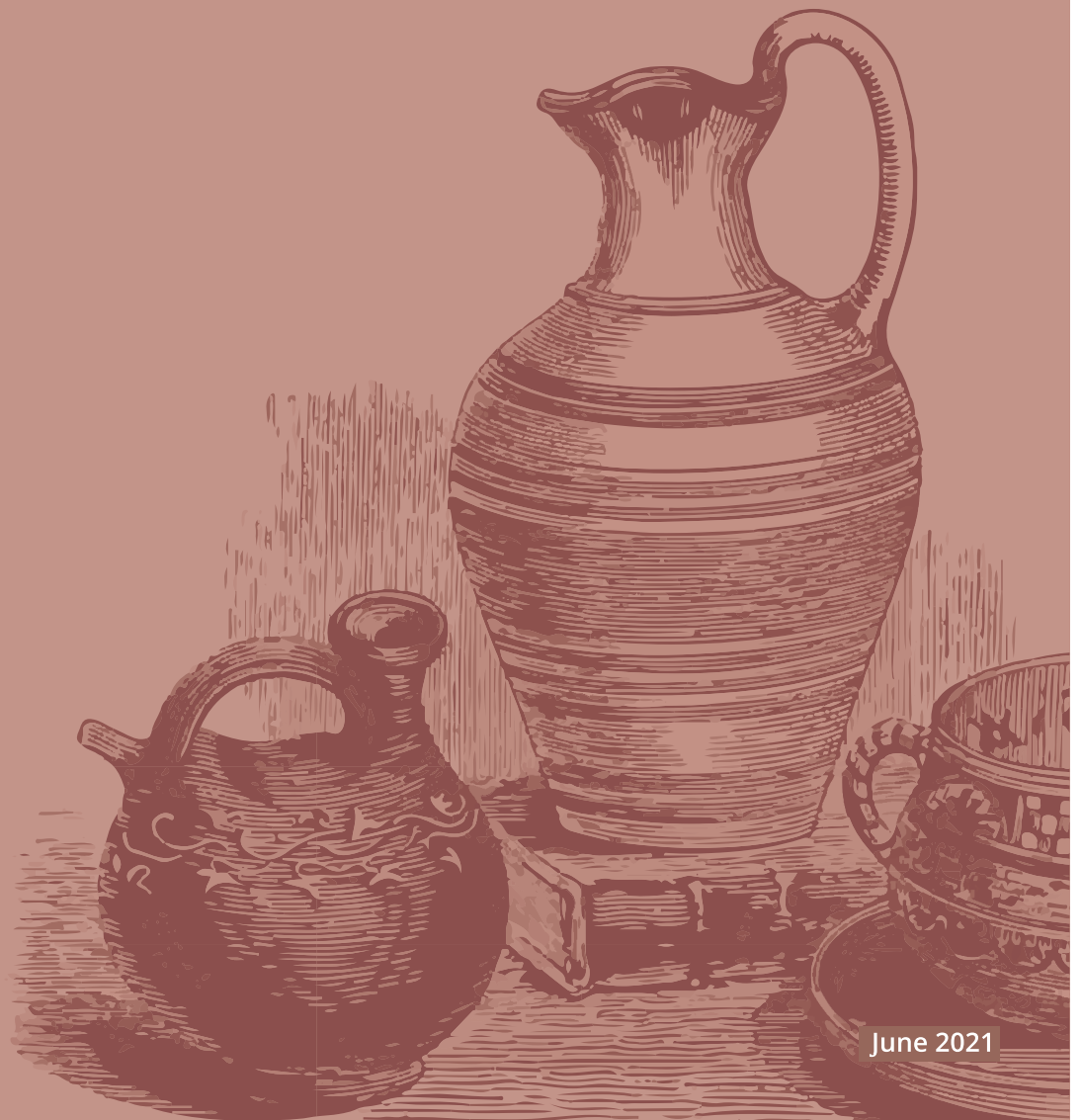
Elkhishin, Dina; Walid, Mariam; Kassem, Nada; and Khairy, Noheir, "Establishing an Institutional Framework for the Handicrafts Clusters in Egypt/ 2021) (إنشاء إطار مؤسسي لتجمعات الحرف اليدوية في مصر". *Papers, Posters, and Presentations*. 82.

<https://fount.aucegypt.edu/studenttxt/82>

This Other is brought to you for free and open access by AUC Knowledge Fountain. It has been accepted for inclusion in Papers, Posters, and Presentations by an authorized administrator of AUC Knowledge Fountain. For more information, please contact [fountadmin@aucegypt.edu](mailto:fountadmin@aucegypt.edu).

## THE PUBLIC POLICY HUB

# Establishing an Institutional Framework for the Handicrafts Clusters in Egypt: A Policy Paper



Prepared by\*

**Dina Elkhishin  
Mariam Walid  
Noheir Khairy  
Nada Kassem**

Under the supervision of:  
**Dr. Sherwat Elwan**

June 2021



# **Establishing an Institutional Framework for the Handicrafts Clusters in Egypt: A Policy Paper**

Prepared by\*

**Dina Elkhishin**  
**Mariam Walid**  
**Noheir Khairy**  
**Nada Kassem**

Under the supervision of:

**Dr. Sherwat Elwan**

Associate professor of Operations Management  
Director, MBA & EMBA Programs  
School of Business  
The American University in Cairo (AUC)

June 2021

*\*Names are listed in alphabetical order\**

Published by:

**The Public Policy HUB  
The School of Global Affairs and Public Policy (GAPP)  
The American University in Cairo (AUC)**

**Project Director:**

Dr. Laila El Baradei, Professor of Public Administration

**Project Co-Director:**

Dr. Shahjahan Bhuiyan, Associate Professor of Public Administration & Associate Dean of Undergraduate Studies & Administration

**Senior Project Manager:**

Mohamed Kadry, MPP

**Senior Project Specialist:**

Waleed Wagdy El-Deeb

**Senior Communication & Outreach Specialist:**

Ghadeer Ahmed Ali

«The opinions in the paper are those of the authors and do not reflect AUC policies or views. They are published to stimulate further dialogue on issues and challenges facing Egypt in an attempt to expose graduate students to practical policy solutions.»

# Table of Content

<b>Abbreviations</b>	<b>2</b>
<b>Executive Summary</b>	<b>3</b>
<b>Background</b>	<b>4</b>
<b>Problem Statement</b>	<b>6</b>
<b>Stakeholder Analysis</b>	<b>7</b>
<b>International Experiences</b>	<b>12</b>
<b>Policy Alternatives</b>	<b>13</b>
1. Establishing a national handicrafts clusters steering committee, led by the Prime Minister	14
2. Establishing Local Handicrafts Clusters Platforms (HCPs), led by MOLD	16
3. Establishing the National Council for Handicrafts in Egypt	18
<b>Policy Recommendation</b>	<b>19</b>
<b>Roadmap to Implementation</b>	<b>21</b>
1. Regulatory framework	22
2. Division of roles and responsibilities	22
3. Financial and resource allocation framework	24
4. Implementation framework	26
<b>References</b>	<b>28</b>

# Abbreviations

<b>EHEC</b>	Egyptian Handicrafts Exports Council
<b>FTE</b>	Fair Trade Egypt
<b>HCPs</b>	Handicrafts Cluster Platforms
<b>IMC</b>	Industrial Modernization Center
<b>MOLD</b>	Ministry of Local Development
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>MSMEDA</b>	Micro-, Small and Medium Enterprise Development Agency
<b>MoSS</b>	Ministry of Social Solidarity
<b>MOIC</b>	Ministry of International Cooperation
<b>MPED</b>	Ministry of Planning and Economic Development
<b>MoETE</b>	Ministry of Education and Technical Education
<b>NGO</b>	Non-Governmental Organization
<b>PM</b>	Prime Minister
<b>SMEs</b>	Small and Medium Enterprises
<b>UELDP</b>	Upper Egypt Local Development Program

## Executive Summary

Egypt's abundant historical and cultural heritage is echoed in the production of a variety of handicrafts throughout the whole country. The Egyptian handicrafts sector employs around two million men and women (MTI, 2018). While Egyptian handicrafts have a lot of potential, the sector faces numerous challenges. Artisans face challenges related to the access to financial resources and raw materials, access to markets especially international ones, access to marketing opportunities, access to technical know-how, among others. Whilst handicrafts production is mostly cluster-based in Egypt, it is highly informal. One of the direst challenges facing handicrafts clusters in Egypt is the lack of clarity on the roles and mandates of the various stakeholders working in the sector.

The stakeholder analysis revealed the most significant players in the handicrafts sector in the government and private sectors at the central and decentralized level, among which are the Micro, Small and Medium Enterprise Development Agency (MSMEDA), the Ministry of Local Development (MLD), the Industrial Modernization Center (IMC), the Chamber of Handicrafts as well as the Egyptian Handicrafts Export Council (EHEC). The objective of this policy paper is to develop an institutional framework that organizes the roles and mandates of the above-mentioned stakeholders, that coordinates between them and ensures coherence of their activities, that promotes cluster development, capitalizes on local know-how and establishes local economic growth opportunities. This policy paper proposes three policy alternatives that aim at developing a coherent institutional framework for handicrafts clusters:

1. The first alternative proposes the establishment of a national handicrafts cluster steering committee which is led by the Prime Minister.
2. The second alternative is decentralized and proposes the establishment of Local Handicrafts Clusters Platforms led by the Ministry of Local Development.

3. The third alternative proposes the establishment of a national council for handicrafts in Egypt.

The paper recommends a hybrid of the first and second alternative. At the national level, the establishment of a national handicrafts cluster steering committee is proposed. For this committee to be accepted and to be able to assume the role of facilitation between the various stakeholders, it is imperative for it to be headed by the Prime Minister. This strategic committee would include members from significant ministries – such as the primary stakeholders mentioned above. To ensure a horizontal multi-stakeholder dialogue between the public and private sectors at the central and operational level, an executive committee would be established.

This committee should also be led by the MSMEDA. However, it would include the numerous stakeholders working on the development of the handicrafts clusters at the national level. For this reason, the proposed model is complemented by the Handicrafts Cluster Platform (HCP) which are presided by the governors in each governorate. These would represent the local dialogue platforms. This way, the model ensures the coordination at all levels as well as the focus on region-specific needs and issues. The proposed model is the most politically feasible and effective model.

Implementation should be phased out starting with governorates in Upper Egypt to capitalize on the Upper Egypt Local Development Program. At the national level, a ministerial steering committee will be formed to guide the policies, while at the executive level a committee will be established to work on the strategies and action plans. At the local level, implementation will take place through the Handicrafts Clusters Platform which will be operating under the Governor's office.



## Background

The handicrafts sector is a long-standing sector in Egypt which goes back to the pharaonic era. Egyptian handicrafts producers are prominent in the weaving of linen, wool and silk especially since the garment industry depends on locally produced agricultural inputs which are available in the country. Nevertheless, the sector “is not sufficiently in the picture of handicrafts in the world” (Abdelaziz, El-Enbavy, Zhang, & Breisinger, 2018). Aside from the importance of exporting handicrafts, now that the tourism sector in Egypt is starting to recover, handicrafts should play a bigger role in boosting economic growth (Abdelaziz, El-Enbavy, Zhang, & Breisinger, 2018).

The sector faces several challenges in Egypt, among which is the danger of extinction, the loss of craftsmen, the migration of the newer generations to urban areas as well as mass production of handicrafts (Abdelrazik, 2018). Most of the efforts to support the handicrafts sector undertaken by the Egyptian government or the international community are scattered. Although there are several programs at the national level, most of them are ad hoc and do not provide a sustainable solution to the challenges facing handicrafts producers in Egypt (Abdelrazik, 2018). Moreover, artisans and producers mainly work informally and do not have the necessary competencies and tools to establish or run a formal business. In Egypt, most handicrafts are organized in natural organic clusters (Abdelrazik, 2018).

Clusters are defined as the “geographic concentrations of interconnected companies, specialized, service providers, and associated institutions in a particular field that are present in a nation or region” (Chapain, 2010). The methodology of cluster development is based on providing a full value-chain of a certain industry. It targets creating and/or importing all essential players working on the cluster in the same geographical location. The government should have an essential role in the development of such clusters to ensure their efficient operation (Chapain, 2010).

During the clustering process, the government usually provides the essential technological knowhow and facilitates possible innovation opportunities. Additionally, for the clusters’ growth policy, there must be a strategy for linking micro-, small and medium enterprises (MSMEs) across borders. Moreover, the export strategy should be aligned with the needs of these firms and serve the purpose of the cluster and to help overcome possible barriers (Akerlof, 1970; Gereffi, 2011). Evidence shows that clustering is considered as a solution for the fragmentation problems which enhance firms’ efficiency and help them achieve economies of scale. In developing countries, clusters are mostly labor intensive, and they work with small-scale technology.

Clusters also solve the problem of the high transaction costs between suppliers, manufacturers, and traders (Akerlof, 1970; Gereffi & Stark, 2011).

There are two types of clusters in Egypt: industrial zones and organic clusters. While the government supports industrial zones, which are spatially located in a planned area, organic clusters are traditionally developed without government support (El Baradei, 2010). Egypt has 145 organic productive clusters which are sub-divided into nine manufacturing and handicrafts subsectors. Handicrafts clusters are among the most important types of organic clusters. Indeed, among the 145 organic clusters, there are 91 handicrafts clusters (Abdelaziz, El-Enbavy, Zhang, & Breisinger, 2018). Along with agribusiness and furniture, the handicrafts sector is identified as one of the most promising sectors generating employment in Egypt (Abdelaziz, El-Enbavy, Zhang, & Breisinger, 2018). This is due to several reasons, most importantly is that the handicrafts sector is labor intensive, scalable, and well-established in Egypt.

## Background

The Egyptian government has recognized the importance of organic clusters in early 2003/2004 when it developed a policy framework for the enhancement of Small and Medium Enterprises (SMEs) (MSMEDA, 2018). Several policymakers and development organizations have established projects targeting clusters, especially organic ones, ever since. Additionally, the development of organic clusters is included in Egypt's Sustainable Development Strategy 2030 (Ministry of Planning, Monitoring and Administrative Reform). On the other hand, most efforts targeting handi-

crafts clusters are fragmented and therefore, have minimal impact on cluster development. There are often overlapping mandates between the different stakeholders which exacerbates tensions between them. Considering the country's increasingly favorable economic environment, an opportunity presents itself to revitalize clusters in the country by taking a cluster-based development approach for the handicrafts sector and by re-thinking the institutional framework of the handicrafts clusters (Abdelaziz, El-Enbaby, Zhang, & Breisinger, 2018).

## Problem Statement

Despite the potential of Egypt's organic clusters to contribute to the national economy, the clusters' lack of consistent and coherent institutional framework, their informality and fragmentation present some of the main obstacles to fulfilling their full potential.

**This policy paper aims to provide a framework for the institutionalization of the handicrafts clusters.** Not only would an enabling environment, an institutional framework and more organized partnerships between business, central and local government help Egypt's clusters reach their potential, become collectively efficient, but they can also contribute to their international competitiveness. This way, the government can fully utilize the potential of the sector and provide local economic growth opportunities for the artisans to enhance their socio-economic status.

The importance of focusing on the handicrafts clusters stems from the opportunities they present. By institutionalizing the sector, producers can be supported in a more rigorous manner, their technical capacities can be improved, and their activities can be integrated into the formal value chain. This way, producers can enhance their operations, produce better quality goods, and offer job opportunities to skilled workers. By allowing MSMEs to grow, Egypt's economic growth and competitiveness can be boosted significantly.

The informants interviewed for this policy paper<sup>1</sup> elaborated on the numerous challenges facing handicrafts producers as well as handicrafts clusters in Egypt. Among the obstacles related to the producers is the low quality of products, lack of access to financial resources and marketing opportunities, the lack of access to market tastes, the export market, fair trade, technical skills as well as to raw materials. The handicrafts clusters do not have a clear governance system.

Most informants reiterated that there are no clearly defined mandates, roles and responsibilities for the diverse and various stakeholders engaged in the handicrafts sector in Egypt. Not only does this create tension between the different stakeholders, but it worsens coordination and collaboration efforts. Furthermore, as previously mentioned, most clusters are informal and must operate under circumstances of inadequate infrastructure and resources (MSMEDA, 2018). In addition, handicrafts clusters are neither clearly defined nor represented at the local and the central levels. While the challenges related to the handicrafts clusters in Egypt are numerous and diverse, they mostly center around the coordination and the organization of the support to be provided to the clusters. Therefore, the focus of this study is on the institutional framework of the handicrafts' clusters in Egypt.

At present, there is a lot of potential linked to the improvement of the institutional framework of the handicrafts clusters. This is mostly since the current Egyptian government shows the political will to develop the sector to enhance the producer's socio-economic status and contribute to local economic development. Indeed, in 2020, President Abdel-fattah El-Sisi established a handicrafts exhibition named Torathna which sheds light on the importance of the sector to the current Egyptian government (World Bank, 2016). Moreover, according to the president of the Handicrafts chamber in the Federation of Egyptian industries, Mosaad Omran, the investments in the handicrafts sector amounted to EGP 20 million in 2019 (Samir, 2020).

In addition, another opportunity presents itself with the issuance of the new law on the development of small and medium enterprises. Under the supervision of the Prime Minister, the Micro, Small and Medium

<sup>1</sup> To assess the challenges facing the handicrafts clusters in Egypt, the authors of this policy paper have conducted in-depth, semi-structured phone interviews with representatives from the Ministry of Local Development, the chamber of handicrafts, the export chamber as well as a consultancy firm that has worked on the strategy of cluster development in Egypt.

## Problem Statement

Enterprises Development Agency (**MSMEDA**) is responsible for the implementation of the new SMEs law. Since the executive regulations of the law have not been put forth yet, there is still a chance for the handicrafts clusters to become an integral part of the legal framework.

Furthermore, the president has stressed on the importance of empowering the **MSMEs** and facilitating the ecosystems on different levels including providing units in the available clusters or industrial zones (World Bank, 2016). In 2018, **MSMEDA** has developed a strategy for organic clusters that is focused on the development of the sector through handicrafts (MSMEDA, 2018).

The strategy needs to be complemented on a higher policy as well as with a strategy that illustrates the implementation framework and the programs and projects to be implement-

ed henceforth. This can also enable the programs done by **MSMEDA**, where in the past 5 years the **MSMEs** including the Handicrafts sector were supported by 28 Billion Egyptian pounds.

The support they provide includes planning, marketing, among other business development processes (Almalnews, 2020). Every year several exhibitions take place at the national and international levels to reinforce the market; in 2019 the **MSMEDA** organized 203 exhibitions including huge number handicrafts artisans and MSMEs (MSMEDA, 2018). As discussed, the handicrafts clusters stakeholders are hugely spread and diversified, the next section aims at describing and analyzing the significance of the most relevant stakeholders.

## Stakeholder Analysis

As previously elaborated, the handicrafts sector is a field which involves a number of diverse key players. These stakeholders represent the public and private sectors, donor, and development organizations as well as Non-Governmental Organizations (NGOs) both at the centralized and the decentralized levels. This section describes the roles of the different stakeholders within the handicrafts sector.

While the illustrations in this section combine both readings from secondary resourc-

es in addition to accounts by the informants, the landscape of handicrafts in Egypt is scattered, and hence, as far as the authors are concerned, this list is comprehensive of most of the entities that are affected by or affecting this sector in Egypt. Table 1 depicts the main stakeholders engaged in the handicrafts sector in Egypt.

**Table 1:** Stakeholder map – handicrafts clusters in Egypt.

Governmental Organizations	
Micro, Small and Medium Enterprise Development Agency	<p>Most businesses operating in the handicrafts sector are considered MSMEs. The MSMEDA was established by a Prime Minister decree. The agency is the main governmental entity mandated with the development of MSMEs in Egypt.</p> <p>Its main objective is developing a conducive business environment for the growth of MSMEs. The MSMEDA operates an extensive network all over Egypt, with presence in 33 governorates through its regional branches and one-stop-shops. With directives from senior leadership in Egypt, the MSMEDA has a special focus on the handicrafts sector through organizing Torathna -our heritage- exhibition, which is the largest exhibition of its kind in Egypt. Realizing that access to markets is one of the challenges facing these small, informal businesses, Torathna enables the largest number of project owners from all over Egypt to exhibit their work (Mounir, 2020).</p>
Ministry of Social Solidarity (MoSS)	<p>Part of the MoSS’ strategy is the development of the handicrafts sector through cooperation with other governmental organizations, NGOs and the private sector. The ministry organizes the Artisans Design Fair to promote Egypt’s craftsmanship. Through a partnership with AlexBank, the MoSS initiated a program to offer financial and technical assistance to more than 20,000 craftsmen (ALEXBANK, 2018).</p>
Ministry of Local Development (MOLD)	<p>The MoLD is mandated with coordinating various efforts between all different stakeholders working on developing local communities and local administration units in all governorates. The MoLD is also responsible for providing infrastructure development and facilities needed for cluster development. Additionally, they are the mandated entity for offering operating licenses.</p>
Ministry of International Cooperation (MOIC)	<p>The MOIC is mandated with strengthening economic cooperation and multilateral engagements between Egypt and other countries. The ministry is responsible for following up on national agencies benefiting from foreign financing. The MOIC has an overview about the work of all donors and development organizations working in different sectors (MOIC, 2021).</p>

## Stakeholder Analysis

<p>Ministry of Planning and Economic Development (MPED)</p>	<p>The MPED's mandate includes setting the overall objectives or economic development in Egypt in addition to proposing relevant economic policies. In cooperation with other ministries and stakeholders, the MPED leads the development of sectoral and geographic strategies.</p>
<p>Ministry of Trade &amp; Industry (MTI)</p>	<p>The MTI is mandated with increasing annual industrial growth, increasing MSMEs contribution to the gross domestic product, increasing exports, enhancing institutional development and creating job opportunities (MTI, 2021). The ministry can support the handicrafts cluster through its affiliate organizations below, among which are the IMC, EHEC and Chamber of Handicrafts Industry.</p>
<p>Industrial Modernization Center (IMC)</p>	<p>In a bid to develop, promote and sustain Egyptian heritage through Egyptian handicrafts, the IMC established Creative Egypt. Creative Egypt is the first registered trademark for handicrafts and offers the sector a permanent showroom displaying the largest collection of products sourced from 140 Egyptian suppliers working in more than 17 product lines such as leather, pottery and carpets (Creative Egypt, 2021).</p>

## Semi-governmental Entities and the Private Sector

<p>Egyptian Handicrafts Export Council (EHEC)</p>	<p>The EHEC is an independent entity established by Ministerial decree by MTI to support the handicrafts sector in Egypt. The council's main objective is to support local Egyptian producers in competing on the international level. The EHEC supports the handicrafts sector through developing the technical capabilities of the local producers to meet the tastes of the international market. It also offers export opportunities and assistance in locating and joining international trade fairs and exhibitions.</p>
---	--

## Stakeholder Analysis

Industrial Chamber of Handicrafts	Established by Ministerial Resolution 964 of 2015, the chamber is part of the federation of Egyptian industries and is mandated with representing businesses operating in the handicrafts sector. The main role of the chamber is raising the technical capabilities of the producers and ensuring sustainability of craftsmanship in Egypt (Mohamed, 2020).
ALEXBANK	Ebda3 Men Masr – Innovation made in Egypt- is an initiative launched by ALEXBANK as part of their corporate social responsibility with the main aim of promoting developing and sustaining the Egyptian handicrafts sector. The initiative involves sponsoring local exhibitions like the Festival of Tunis Village in Fayoum, forming partnerships to develop training, capacity building and export opportunities (ALEXBANK, 2016)

## Development Organizations and Donors

<p>OPEC Fund for International Development World Bank African Development Bank Arab Fund for Economic and Social Development German Development Agency</p>	Development organizations support the Egypt Sustainable Development Strategy 2030 through offering either loans or grants programs to provide technical/non-technical projects that support handicrafts cluster development (MOIC, 2021).
--	---

## Non-Governmental Organizations

The Egyptian Network for Integrated Development (El-Nidaa)	El-Nidaa supports the sector through training and workshops especially in Upper Egypt focusing on women and youth (ALEXBANK, 2016).
Fair Trade Egypt (FTE)	FTE plays a crucial role as it aims to empower artisans, acts as a link between producers and buyers and showcases handicrafts at a fair price to ensure fair wages and a healthy trade environment (Mounir, 2020).

Source: Authors

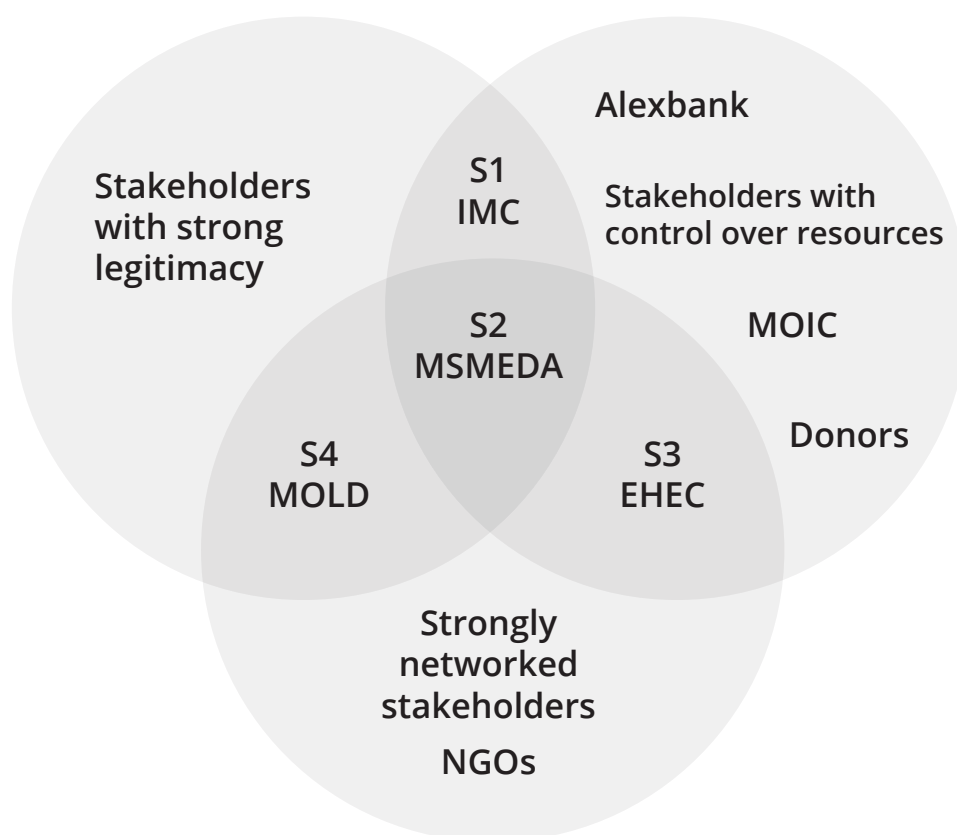
This Stakeholder mapping highlights three core functions of key stakeholders (Zimmermann & Maennling, 2007):

**Legitimacy:** This function of stakeholders is based on the institutional position, ascribed, or acquired rights (those given by law), or the duties being undertaken by or through public consent.

**Resources** could be intangible like knowledge, expertise and capabilities or material resources which enable the key

stakeholder in having a strong influence on the subject matter or managing and monitoring access to resources.

**Networking** stipulates the number and quality of relationship to other actors who are under obligation to or dependent on stakeholders.



**S1:** Stakeholders with control over essential resources and strong legitimacy

**S2:** Stakeholders with strong legitimacy and control over resources and strong connections

**S3:** Stakeholders with resources and strong networks

**S4:** Stakeholders with strong legitimacy and strong connections

**Figure 1:** Stakeholder Analysis – Identifying key stakeholders in the handicrafts sector in Egypt  
Source: Authors based on (Zimmermann & Maennling, 2007)



## Stakeholder Analysis

According to Figure 1, stakeholders from **S1** to **S4** are the ones who have at least two important functions. Hence, the following is the segmentation of stakeholders that describes the stakeholders in the handicrafts sector in Egypt.

**S1:** The IMC enjoys both essential technical resources and has strong legitimacy as it is one of the affiliate organizations of MTI.

**S2:** The MSMEDA has a strong legitimacy as it is mandated with the development of MSMEs in Egypt along different sectors especially the handicrafts sector. Moreover, the agency is strongly connected as it is affiliated with the MTI, and it has a strong network within the governorate. The MSMEDA provides technical assistance and microfinance loans to small and medium enterprises.

**S3:** Both the EHEC and the Industrial Chamber for Handicrafts have the technical resources

to develop the production, marketing, and access to markets for the artisans. They also have strong ties to the local producers and international markets.

**S4:** The MOLD has a strong legitimacy as it is the ministry which mandates local economic growth opportunities.

Stakeholders from **S1** to **S4** should be treated as the main players affecting the development of the handicrafts cluster in Egypt. Thus, any efforts for institutional development should include them as key focal points.

The next part of the policy paper briefly describes governmental efforts in India as well as two models of cluster development. These international experiences, together with the accounts of the interviewees, helped frame the policy alternatives presented in this policy paper.

## International Experiences

Clusters and clusters development, especially industrial clusters have been studied for decades. Handicrafts artisans were usually clustered by nature due to their dependence initially on household manufacturing units (Sarkar & Banerjee, 2007). There are two types of models when it comes to cluster development: a liberal and a dirigiste, or continental model (Zakharova, Prokhorova, Shutilov, & Klochko, 2015). The liberal model provides the framework for the clusters to self-organize themselves whilst the dirigiste or the continental one is characterized by more involvement of the government including direct investments undertaken by the government to offset the low investment in the sectors or areas that need development (Zakharova, Prokhorova, Shutilov, & Klochko, 2015). Countries that implement the liberal model are for instance the U.S., the UK, Australia, Canada and as to the dirigiste policies, countries that implement it include Austria,

Germany, India, Singapore, Sweden, South Korea, France, and Japan (Zakharova, Prokhorova, Shutilov, & Klochko, 2015). While Egypt has not adopted a specific cluster development policy, based on the accounts of the informants, it can be deduced that Egypt's approach is closer to the continental model than the liberal one.

One of the most successful experiences of cluster development is India. The country has a long history in handicrafts cluster development as it contributes highly to the employment and local economic development (Deb & Dey, 2016). India started working on cluster development at a national level in the late 1980's (Deb & Dey, 2016). It adopted the UNIDO's cluster development approach (Abdin & Rahman, 2015). Through a phased approach, it started with the handicrafts handloom sector, introducing policy changes for guidance and direction, (Deb & Dey, 2016).

## International Experiences

The development was supported by international agencies which started implementing programs for cluster development based on India's direction. Currently, India has more than 10,000 industrial clusters of which 2780 are handicrafts clusters and 594 for handlooms (Deb & Dey, 2016). India's experience shows that developing countries often need the intervention of the government to re-organize and develop the sector through a general direction and not a fixed approach (Deb & Dey, 2016).

One example is Moradabad in India, a region famous for its intensified handicrafts cluster

development within the last decade. Handicrafts clusters supported the handicrafts sector including not only product development but also institutional and market development efforts (Venkataramanaiah & Kumar, 2011) The producers and artisans in the area reported many improvements and income increase due to these efforts (Venkataramanaiah & Kumar, 2011).

The following policy alternatives are built to a large extent on the Indian model as well as the continental approach towards cluster development.

## Policy Alternatives

The policy alternatives proposed here all center around the establishment of a well-coordinated, coherent, and sustainable institutional framework for the handicrafts clusters which can receive buy-in from the many and diverse stakeholders who are active in the field. All alternatives focus on the involvement of the private sector which, however, is coordinated and facilitated by the government. Within the context of the handicrafts sector, a sector which involves many players and where the division of roles and mandates is not clear, the establishment of a clearly divided institutional framework is crucial. To select the most effective alternative for the problem and its many facets, the following criteria are selected. This section is predominantly based on Caputo (2013).

- A. Effectiveness refers to the likelihood of achieving policy objectives. This criterion delves into the causal relationship between anticipated outcomes with policy goals. It asks the question of whether the policy objectives would be met if the policy alternative is adopted.
- B. Equity concerns the equitable distribution of a policy's costs, benefits, and risks

across a population's sub-groups. This criterion highlights the importance of the winners and losers of policy options.

- C. Political feasibility tackles the issue of whether the policy alternative would be supported by the elected officials. Political feasibility often varies with the changes of the policy agenda, the relationships between the actors as well as their sense of ownership to the policy issue.
- D. Technical feasibility refers to the existence of the necessary technical know-how to implement the policy option.
- E. Financial feasibility tackles the availability and sustainability of the necessary financial resources for the implementation of the policy alternative. This criterion also highlights the importance of cost efficiency.

## Policy Alternatives

When creating the policy alternatives, it became obvious that there are themes which must be included in any alternative to be considered

for this policy problem. These cross-cutting themes can be summed up as follows:

### Capacity Building

- All policy alternatives necessitate the capacity development of the actors in the sector starting from the producers to the governmental employees involved in cluster development.

### Technological Development and know-how

- There is a need to implement developments in the technologies transferring innovative production ways and newest trends and know-how.

### Private Sector Engagement

- There is a need to implement developments in the technologies transferring innovative production ways and newest trends and know-how.

Turning to the policy alternatives, the three policy alternatives are presented using the five criteria described above.

#### 1. Establishing a national handicrafts clusters steering committee, led by the Prime Minister

This policy alternative proposes the establishment of a handicrafts cluster steering committee at the central level led by and reporting to the Prime Minister (PM). Members are appointed by the PM; non-member institutions can also partake in the committee upon invitation when the need arises. The committee will be supported by a Technical Secretariat coordinated by MSMEDA.

The main role of the committee is steering and coordinating all efforts for the development of the handicrafts' clusters. The members of the committee include the MOLD, the MOIC, the MPED, the MTI, the MoSS and the MSMEDA. The roles of the different stakeholders in this ministerial committee will be described as follows:

#### ◇ MOLD

Since clusters, by definition, are based on geographical proximity, and built on the strengths of existing local communities (Abdelaziz et al, 2018), and given their local informational advantage, the MOLD would be the main representative of all local-level initiatives.

#### ◇ MOIC

The MOIC is always fully aware of the activities of development organizations in Egypt. Representation of the MOIC in the steering committee is essential as it can coordinate and provide information about all donor-funded programs targeting the handicrafts sector in Egypt. The ministry can also negotiate and mobilize funds for the development of the handicrafts cluster in Egypt according to the strategy developed by the steering committee.

## Policy Alternatives

### ◇ MPED

The MPED would be responsible for setting an overall strategy for the sector in coordination with all other ministries, in addition to establishing economic development indicators per sector and geographic area for the handicrafts cluster. In addition, the MPED should align the committee's activities towards achieving Egypt's Sustainable Development Strategy 2030.

### ◇ MTI

The MTI is the technical backbone of the committee as it oversees the main organizations responsible for the technical development of the sector including IMC, EHEC and the industrial chamber for handicrafts.

### ◇ MoSS

The MoSS oversees and regulates the work of NGOs in Egypt. Through the committee, the MOSS would coordinate the work of the NGOs for the development of handicrafts clusters.

### ◇ MSMEDA (Technical Secretariat)

The MSMEDA would be responsible for the Technical Secretariat of the steering committee. The MSMEDA is chosen for several rea-

sons, as shown in the stakeholder analysis, it has strong legitimacy, access to resources and a strong network. In addition to that, its annual exhibition for handicrafts Torathna has gained political support from all stakeholders, especially as it was inaugurated by President Abdelfattah El Sisi.

The following are stakeholders who could be invited to the steering committee:

- Ministry of Education and Technical Education (MoETE):

Lack of skilled workers is one of the challenges facing the handicrafts sector, and the MoETE can support in educating the workforce and providing them with the necessary skills, especially in the Technical Education and Vocational Training sectors. This way, the MoETE can support the sustainability of craftsmanship in Egypt.

- Ministry of Tourism

The Ministry of Tourism plays an important role in enhancing the visibility of the local Egyptian handicrafts to tourists. The ministry can facilitate local trade fairs and exhibitions in touristic areas. In the following, this alternative will be assessed against the criteria illustrated above.

#### Effectiveness

- This proposition realizes the purpose of establishing an institutional framework for collaboration and coordination of national efforts and therefore it is an effective alternative that addresses the coordination problem.

#### Equity

- This alternative ensures equity to some extent as it vows for representation of several relevant stakeholders in the decision-making process. However, cluster representatives are not represented in the steering committee which does not make it the most equitable alternative.

## Policy Alternatives

### Political Feasibility

- The policy makers would accept this alternative as it strikes a balance between all relevant actors, especially governmental ones. Moreover due to presidential focus and attention to the development of the handicrafts sector, all relevant committee members are expected to have a strong political will towards the issue. Moreover, since the committee is headed by the Prime Minister, it is anticipated that the stakeholders would committ to it and adhere to the division of roles and mandates.

### Technical Feasibility

- Technically, this alternative is feasible since all committee members have relevant expertise in the handicrafts sector. Each of the committee members has a clear role which would make the collaboration easier. Moreover, some of the comtmittee members are already collaborating on different programs, for example the Upper Egypt Local Development Program (UELDP), led by the MOLD, signed a memorandum of understanding with the MSMEDA and the IMC.

### Financial Feasibility

- Forming a steering committee does not rquire additional costs, as it is considered as a mobilization of existing resources.

## 2. Establishing Local Handicrafts Clusters Platforms (HCPs), led by the MOLD

This alternative emerges from a supply-based perspective in which empowering the local government is the policy solution. Since the MOLD is the authorized body to manage local authorities with and facilitate local decentralization, this alternative operates as a bottom-up approach that seeks embracing solutions to clusters' problems from local units up to the central government.

This approach encompasses local and central levels. Locally, the collection of the required data and the activities related to citizen engagement would be undertaken at the Handicrafts Clusters Platforms (HCPs). the HCPs shall include employees form the local government as well as representatives form relevant stakeholders such as the MSMEDA, the IMC, the EHEC etc. The data collected by the HCPs would be analyzed and prepared as input for market studies and value chain

analyses that would aid in local cluster development. At the local level, the HCPs shall effectively collect clusters with spatial characteristics and geo-demographic alliances to create comprehensive value chains based on thorough market analysis. To implement the intended analysis, the HCPs can employ relevant consultants and can benefit from donor programs. Most importantly, there must be an adequate representation of the private sector. Their mandate will be to create the market path for clusters on regional and sectoral basis. These efforts should be guided by a central unit under the authority of the MOLD. Also, at the central level, the MOLD will be encouraged to sign protocols with the three main entities concerned with handicrafts clusters development (the IMC, Export Council and the MSMEDA). These protocols entail coordinating at the central level and connecting the HCPs at the local levels with the central level to guide policies and strategies. Additionally, this alternative will capitalize on the work of the UELDP.

## Policy Alternatives

This alternative is developed because a main factor in assessing cluster development is the spatial characteristic of each cluster and sector. Since the handicrafts sector is a geo-demographic based industry, the MOLD is the

most fit to coordinate since it is the mandated entity to work on local development and oversees governorates' resources. Therefore, the MOLD is regarded as the umbrella for the coordination of governorates' activities.

### Effectiveness

- This solution is partially effective in terms of bringing the local level on the top of solution. However, it does not offer the clusters environment a coherent ecosystem with the inclusion of the main stakeholders in the handicrafts sector. For example, it diminishes the role of important ministries at the central level.

### Equity

- This solution reinforces equity as it empowers the local economy, and it is based on a down-top approach which entails representation of local producers. However, the alternative does not include a full representation of other relevant stakeholders which weakens its equity aspect.

### Political Feasibility

- This alternative is politically feasible as it goes along the lines of the government direction in decentralizing cluster development and empowering governorates and local economies. This is clearly seen in the UELDP which supports the decentralized directive (World Bank, 2016). Accordingly, this alternative guarantees the political will to perform it.

### Technical Feasibility

- In order to create an effective institutional framework for handicrafts clusters, this alternative might not be the most technically viable. Although having the buy-in of governorates is a great advantage, coordinating the clusters of handicrafts through a protocol which is not fully binding for involved entities is challenging. It is very likely that the involved parties might not act upon the protocol since it is not binding, especially if it does not seem beneficial for the stakeholders. In addition, most informants highlighted that the MOLD has limited staff capacities and thus, this solution might not be the easiest to implement given the technical capacities of the ministries' staff. However, according to the informants working with the MOLD, the ministry is currently working with high-caliber staff members and consultants especially within the context of the UELDP.

### Financial Feasibility

- Although this alternative might be costly, it is feasible, especially since it will capitalize on the work of the UELDP. The costs of this alternative are within the limits of the technical studies and consultancy payments.

## Policy Alternatives

### 3. Establishing the National Council for Handicrafts in Egypt

This alternative stipulates the establishment of a National Council under the supervision of the cabinet. The main objective of the council is the governance of the handicrafts sector in Egypt. Thus, the council would be the focal entity for the handicrafts' clusters in Egypt. The National Council for Handicrafts in Egypt will be mandated to regulate and coordinate the handicrafts sector in Egypt. The main idea is to create a focal organization to increase the efficiency of the sector by combining the different roles fragmented in different ministries and agencies into one council. The council would be modeled in a similar way to the National Council for Women (NCW, 2021). It will coordinate among the different stakeholders including the private sector, thus, increasing the chances of investments. In addition, one main working area is the establishment and development of the national framework for cluster development. Different stakeholders will be represented in the council and seconded either on part time or full-time basis to work and support the council. This also ensures that these stakeholders can work together to guarantee a win-win situation for all actors involved. The main mandates and roles of the national council will be as follows:

- Supporting the division of roles and responsibilities among the different stakeholders
- Coordinating and supporting the different stakeholders to ensure the efficient development of the sector
- Reviewing and developing the legal framework of cluster development
- Providing technical support for the local economic units to empower them towards local handicrafts cluster development
- Researching and analyzing the market needs of the handicrafts sector
- Developing nationwide strategies and plans for the development of handicrafts clusters
- Providing capacity development activities to different stakeholders in the handicrafts clusters
- Supporting product innovation through research and product design
- Exploring new internal market segments for the handicrafts' producers
- Exploring and facilitating external and export market opportunities for the handicrafts
- Managing and suggesting new development programs for the handicrafts sector in Egypt
- Coordinating with international donors on the handicrafts clusters in Egypt
- Establishing permanent and seasonal exhibitions for the handicraft producers

#### Effectiveness

- The alternative is effective insofar as it re-organizes the sector and establishes a focal organization for the coordination of efforts. This includes the prospected enhancement of multi-stakeholder cooperation and distributing the mandates based on defined roles and responsibilities.

#### Equity

- This alternative can enhance the equity in the sector since it provides a good representation of the different stakeholders in the board or as employees, ensuring that the voice of all stakeholders is taken in consideration in the decision making process.

## Policy Alternatives

### Political Feasibility

- The general political environment goes against the establishment of new entities and hiring new employees for the public sector. Hiring new employees requires a presidential decree and as long as this task can be done by another organization/platform, the establishment of new entities is not politically recommended.

### Technical Feasibility

- From a technical perspective, the creation of new entities and organizations in the public sector is timely and requires a lot of effort and coordination. During the current phase of the public sector reform in general, these resources might not be available to support the establishment of the council.

### Financial Feasibility

- The financial resources needed to operate the council need to be budgeted from the ministry of finance. As per the economic situation, this is also costly and not feasible to another entity that requires costs and will not generate income.

## Policy Recommendation

In order to recommend a policy alternative that attempts to overcome the challenges facing the handicrafts clusters in Egypt, it is crucial to choose the decision-rule based on which the recommendation will be selected. As previously discussed, and as illustrated by most informants the most severe problem facing the clusters is the lack of coordination and coherence over the roles and the responsibilities of the different actors in the field, the policy alternative needs to firstly be *politically feasible*. Indeed, it is very important for the diverse stakeholders to have a sense of ownership towards the policy recommendation. Moreover, the recommendation needs to enhance communication between them and to ensure the sustainable coordination of efforts between them. It is also imperative for the focal entity that would facilitate and coordinate efforts in the field to be mandated and to be accepted by the rest of the actors.

The policy recommendation also needs to be *effective*. The main beneficiaries being targeted by the policy to be recommended are the

artisans, handicrafts producers and clusters. Thus, the recommended policy needs to lead to the goal of resolving the challenges facing these beneficiaries. The alternative should aim to provide them with local growth opportunities. Accordingly, it is crucial for the policy recommendation to enhance the beneficiaries' access to markets, resources, technical skills, export opportunities, among others.

This policy paper proposes the development of an institutional framework that establishes communication lines and facilitates the coordination between the public and private sectors both at the central as well as the decentral levels. Indeed, the proposed policy framework is a hybrid between the first and second policy alternatives. The recommended institutional framework is depicted in Figure 2. At the national level, the establishment of a national handicrafts cluster steering committee is proposed.

In order for this committee to be accepted and to be able to assume the role of facilitation



# Policy Recommendation

between the various stakeholders, it is imperative for it to be headed by the Prime Minister. This strategic committee would include members from significant ministries – primary stakeholders – such as the MOLD, the MTI, the MoSS, the MOIC and the MPED. Since this committee is solely ministerial, it would only convene twice every year to make strategic decisions. The Technical Secretariat of this steering committee should be led by the MS-MEDA as the entity mandated with the development of MSMEs, as stipulated by most informants. The Technical Secretariat would be

mandated with the creation of an agenda as well as progress reports and monitoring and evaluation plans for the steering committee and the operational level: the executive committee. To ensure a horizontal multi-stakeholder dialogue between the public and private sectors at the central and operational level, an executive committee would be established. This committee should also be led by the MSMEDA, however, it would include the numerous stakeholders working on the development of the handicrafts clusters at the national level.

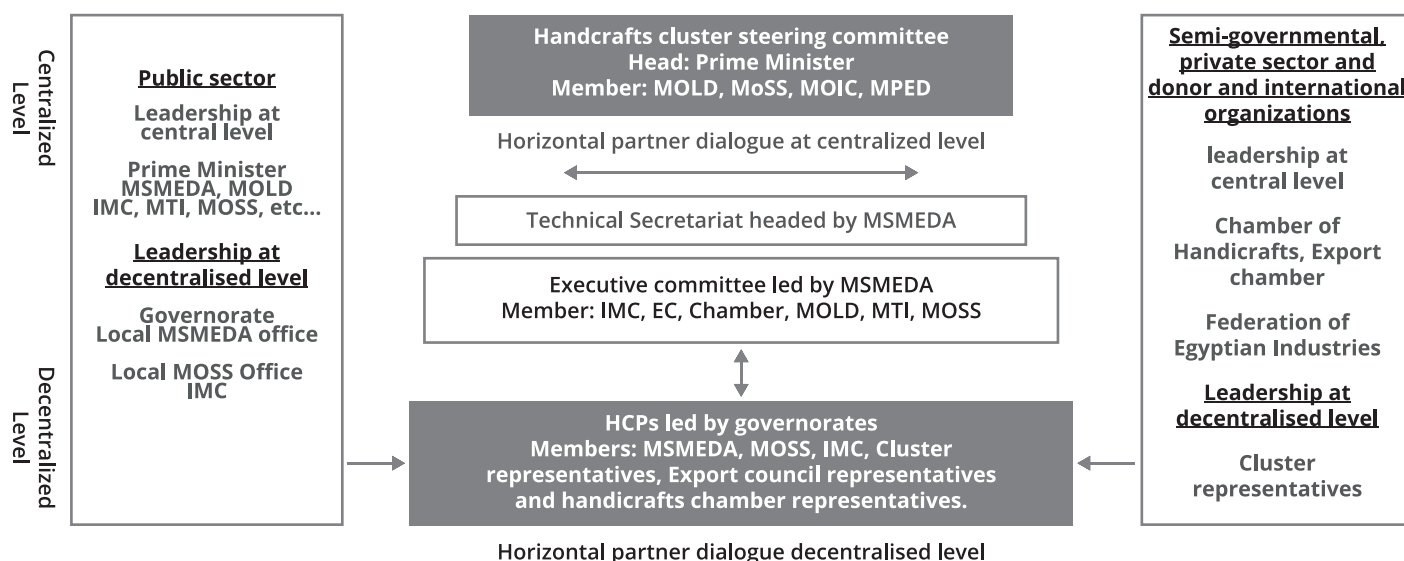


Figure 2: A model for the Institutionalization of the Handicrafts Clusters in Egypt

While the national steering committee and its affiliated bodies would ensure the existence of communication lines and the coordination of plans between the stakeholders and would hence ensure the political acceptability of the recommendation, it is imperative for the policy recommendation to be effective and to address the main obstacles facing handicrafts clusters in Egypt. For this reason, the recommended policy should improve the artisans’ access to resources, technical know-how, market opportunities, among others. As previously elaborated, clusters are defined by their spatial proximity and hence, a fully centralized and national approach would not provide tailored solutions to the diverse and context-specific challenges facing the clusters in the different governorates in Egypt. This is reinforced by the national strategy on the development of handicrafts clusters (MS-

MEDA, 2018) which stipulates that a cluster development strategy needs to combine the “local nature of cluster development on the one hand, with the common denominators that are to be targeted at the national level” (MSMEDA, 2018). Accordingly, the national-level interventions proposed here would create the pillars that would support cluster development at the decentral level. On the other hand, at the local level, clusters must be empowered. At the local level, it is essential to formulate and implement cluster-specific plans. For this reason, the proposed model is complemented by HCPs led by the governors in each governorate. These would represent the local dialogue platforms. The members of these HCPs include the MOLD employees and representatives from the local MSMEDA, the MoSS and the IMC offices from the public

## Policy Recommendation

sector as well as the representatives of the chambers working on handicrafts as well as the investors' associations and cluster representatives. This way, the model ensures coordination at all levels as well as the focus on region-specific needs and issues. Additionally, the model offers tailored solutions that are made as close to the clusters as possible. The proposed framework also combines

bottom-up coordination as well as top-down support and facilitation. Most importantly, the proposed institutional framework is anticipated to be politically feasible and effective. This recommendation is further elaborated in-depth in the following section, in which the roles and mandates of the different stakeholders are further specified.

## Roadmap to Implementation

The next part of this policy paper is dedicated to the steps that need to be undertaken in order to ensure the effective implementation of the policy recommendation. The policy recommended in this paper stresses on the importance of coordination both at the central as well as local levels between the public and private sectors. In order to capitalize on existing governmental efforts, this implementation, regulatory and resource allocation framework was built on two strategies that were developed for the handicrafts sector; the first is the handicrafts sector strategy developed by the MTI in 2018 (MTI, 2018). Whilst the strategy has not been approved yet, it builds an important starting point to understand the direction of the efforts in the development of the sector. The second strategy is Egypt's National Strategy for the development of organic clusters (2019-2030) developed by the MSMEDA (MSMEDA, 2018). Since both strategies have intersections and linkages, the implementation strategy proposed here builds predominantly on the interviews as well as the objectives and programs defined by the strategies.

This policy paper proposes a phased approach towards the development of handicrafts cluster. The entry point, as mentioned previously, is UELDP implemented in the MOLD. This is because, the program is already working on cluster development as part of Qena and Sohag's development. The expertise built through the project during the past years can facilitate the roll out of the approach in other governorates.

In this section, the policy paper provides concrete steps for the implementation of recommended policy alternative. The roadmap to implementation starts with an analysis of the regulatory framework including the definition of roles, mandates and responsibilities of each stakeholder involved in the sector. Defining the roles and responsibilities is important to pave the way for the rest of the implementation working areas. Additionally, as previously elaborated, many informants stressed on the importance of defining the roles and mandates as a crucial step towards institutionalization and cluster development efforts. It is also important to elaborate on the financial and resource allocation framework since it is an imperative part of the implementation of the recommended policy. Finally, the implementation framework is divided into four main work areas:

- A. Establishing and developing the Ministerial Handicrafts Clusters Steering Committee and the Technical Secretariat
- B. Putting policies into action through initiating a Handicrafts Clusters Executive Committee at the central level
- C. Supporting implementation through establishing Local Handicrafts Clusters Platforms
- D. Supporting the handicraft cluster development through Upper Egypt Local Development program

# Roadmap to Implementation

## 1. Regulatory framework

It is important to describe the current regulatory framework governing handicrafts clusters as well as the required changes to implement the recommended policy.

The newly issued MSMEs law no. 152 of 2020 shows the government's direction towards supporting the development and formalization of MSMEs. As previously illustrated, the law encourages informal handicrafts to legalize their conditions through financial and non-financial incentives. Both the law and possibly its executive regulations – which are still to be issued – can build the ground for the implementation of the recommended policy alternative.

Nevertheless, the recommended policy requires the issuance of a Prime Ministerial decree that foresees the establishment of the National Steering Committee at the central level. The decree should clarify the objectives of the steering committee and define its permanent members. Additionally, the decree has to highlight the MSMEDA's role as the "Technical Secretariat" for the committee (الأمانة الفنية للمشروع) and its roles and

## 2. Division of roles and responsibilities

Based on the conducted desk research and interviews with different stakeholders, the authors devised a model for the handicrafts ecosystem which identifies handicrafts cluster development themes according to the recommended policy alternative. The objective of the model is to create a clear distribution of roles based on the handicrafts sector problems and stakeholder competencies within the Egyptian economy. Figure 3 is based on an understanding of the current mandates of mentioned entities, current efforts of such entities and interviews with relevant stakeholders. The diagram specifies whether the entity has a primary/secondary/tertiary role in the intended scheme.

In terms of cluster selection, it is imperative to conduct a market analysis based on the data collected locally as well as the research conducted by consultants and experts in the field. *Data collection* is advised to be done at the local level under the supervision of the

within the committee.

On the technical level, another decree has to be issued by the head of the MSMEDA, who is also the current Minister of Trade and Industry, to specify the roles, mandates and members of the executive committee supervised by the MSMEDA. This is also important in order to avoid overlapping responsibilities and to ensure the commitment and sense of ownership of all members.

At the local level, the MOLD should establish LEOs within the context of local economic development. Therefore, the Minister of Local Development is advised to issue a decree to direct the governorate to establish and support the HCP. Accordingly, the Governor is advised to form the HCP headed by the governor deputized by the Under Secretariat. The composition of the platform should include the Head of the Local Economic Office, Clusters' Heads, representatives from the IMC, the EHEC and the Chamber of Handicrafts.

MOLD. Given that the MSMEDA possesses greater technical know-how and expertise, it is advised that the data analysis be predominantly conducted by MSMEDA. However, when it comes to the selection of clusters, the MOLD should have the primary role since it is the entity closest to the clusters, their formation, and their context.

As previously discussed, one of the main obstacles facing handicrafts clusters in Egypt is the access to resources, technical expertise, and market opportunities. With regards to *access to resources* such as financial resources and raw material allocation, the MSMEDA is mandated with supporting MSMEs financially.

Additionally, the MoSS could undertake initiatives within their efforts to empower NGOs and handicrafts artisans.

## Roadmap to Implementation

Nevertheless, the MSMEDA holds the primary role when it comes to financial resource allocation. Concerning raw material allocation, the Chamber of Handicrafts is the entity mandated with the provision of information and the facilitation of knowledge sharing on handicrafts allocation. This is because it is the entity entrusted with the development of products.

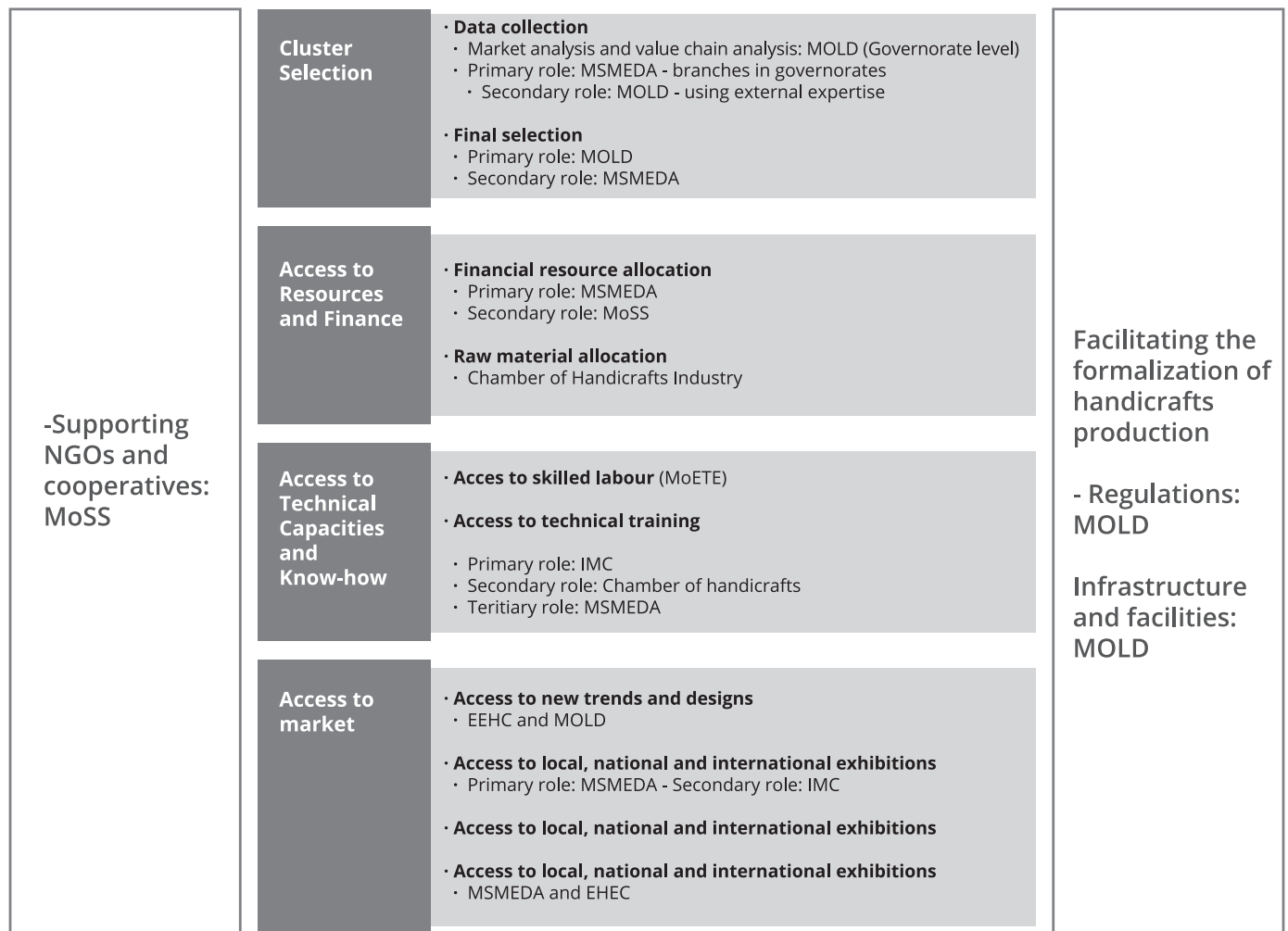
*Access to technical capacities* is another challenge faced by handicrafts producers. The first challenge relates to the access to well-educated and skilled labor.

The entity in charge of the preparation of the workforce to the transition to employment is the MoETE. The IMC is mandated with the provision of technical capacity development since it focuses on the improvement of productivity. The chamber of handicrafts can also provide artisans with technical trainings since the chamber works on product quality and is aware of the required technologies. Considering MSMEDA's know-how on MSMEs, the agency should have a tertiary role in the provision of technical capacity development programs.

The subsequent obstacle facing the development of handicrafts clusters is *access to market opportunities*. There is a mismatch between local designs and the taste of the local and international markets. The EHEC is the most suitable entity to tackle this challenge by providing technical assistance to raise the quality of local products. This can be through product-design trainings and workshops as well as assisting local producers in getting acquainted with international markets. A secondary player on this issue is the MOLD as it will be the gateway for local producers and therefore, there must be strong coordination between the EHEC and the MOLD on the provision of such technical assistance. Another challenge facing the artisans is the access to exhibitions and marketing channels. Support in this regard should be provided by the

MSEMDA and the IMC. When it comes to the global market, the EHEC is the most suitable entity to connect the producers to international exhibitions. When it comes to facilitating the access to the export market, the MSMEDA can coordinate with relevant entities such as the Export Development Agency. A secondary player here is the EHEC which can connect local producers to *the export market*. When it comes to the producers' abidance by the fair-trade criteria, the FTE NGO can provide capacity building to the artisans on the fair-trade regulations. FTE should coordinate its efforts with the MOLD and the MoSS in order to be able to reach local producers and NGOs.

# Roadmap to Implementation



**Figure 3: Division of roles and responsibilities in the Handicrafts Ecosystem in Egypt**

At the same time, it is crucial to facilitate the regulation of handicrafts businesses in order to formalize them. The MOLD should oversee the facilitation of the issuance of approvals/licenses. Additionally, the MOLD would be also responsible for providing the needed infrastructure and facilities to create well-connected geographic clusters.

Aside from clusters, it is important to integrate handicrafts producers in the system. NGOs and cooperatives play the biggest role in this regard. Thus, the MoSS is the focal point as it is the entity that regulates NGOs and cooperatives in Egypt.

### 3. Financial and resource allocation framework

The institutional framework proposed in this policy paper stresses on the importance of

multi stakeholder engagement and coordination at the central level, executive as well as the local level. Every ministerial member of the central committee is mandated and/or works on MSMEs development, export expansion, cluster formation and employment generation. Therefore, it is suggested that each relevant ministry - with their affiliate organizations included on the executive level - should allocate part of their budgets to the development of the handicrafts sector. Additional financial resources could be mobilized through donor funds and development organizations' efforts - which would be facilitated by the MOIC.

## Roadmap to Implementation

The MSMEDA as the Technical Secretariat and the leader of the executive committee should oversee the allocation of funds according to the agreed-upon strategy and the needs of each HCP. For the HCPs to be financially empowered, each will have a designated budget that would be disbursed according to their planned operations and activities. The MSMEDA, in collaboration with the MOLD and the respective governorate, should capacitate the employees working at the local level to ensure that they have the necessary technical and soft skills related to cluster development.

According to the proposed policy alternative each stakeholder will offer a unique package of non-financial resources with the objective of developing handicrafts clusters and aiding its economic growth. The following are the proposed aid packages to the local handicrafts' owners from relevant stakeholders at the local level which would be combined to offer a comprehensive set of support or could be delivered independently according to the needs of local producers:

### Access to finance

- This would be through loans provided by the MSMEDA regional offices, the MOSS and relevant private sector actors like ALEXBANK which support local handicrafts businesses financially.

### Support with establishment, formalization and physical infrastructure:

- This would be supported by the MOLD employees at the LEOs who play an important role in facilitating the work of handicrafts producers at a governorate level.

### Access to international markets

- This would be supported through the export-development package developed by the EHEC.

### Access to technical information and craftsmanship

- This would be facilitated by the a craftsmanship package of the handicrafts chamber.

### Access to business-development services

- This would be advanced through business-development services given through technical assistance programs by the IMC.

# Roadmap to Implementation

## 4. Implementation framework

It is important to mention that the implementation of this policy recommendation should be phased out. It is suggested that the implementation starts with selected governorates in Upper Egypt for two main reasons: first, Upper Egypt governorates have the largest concentration of handicrafts projects (Abdelaziz, El-Enbavy, Zhang, & Breisinger, 2018). Second, this alternative should benefit and build on the work conducted by the UELDP, as will be elaborated.

As previously mentioned, the implementation framework is divided into four work packages:

A. Establishing and developing the Ministerial Handicrafts Clusters Steering Committee and the technical secretariat

The main aim of this working package is to establish the steering committee as well as develop and empower the Technical Secretariat responsible for the development of the handicrafts sector. The steering committee should contribute to the handicrafts' strategy developed by the MTI in which one of the main activities is to establish a governance mechanism for the implementation of the strategy. For this purpose specifically, the same key performance indicators will be used.

The experience of the UELDP will also be used to initiate the working areas with the MSMEDA, by representing the MOLD. The current steering structure of the UELDP would be used as the base for the cluster's steering committee, in order to first identify challenges within the communication among the stakeholders and to try to avoid them during the establishment of the committee.

B. Putting policies into action through initiating a Handicrafts Clusters Executive Committee at the central level

This executive committee will work at a central level on forming strategies and action plans for the policies and directions set by the National Steering Committee. This committee will be led by the MSMEDA and will include members from the MOLD, the IMC, the EHEC, the MoSS and the Chamber of Handicrafts. This committee is the operational hand of the policy recommendation as it will work as the link between the national level policies and local implementation. It will be mandated to direct implementation, monitor progress and address challenges. Another core mandate of the executive committee is ensuring the application of the relevant roles and mandate of every stakeholder and dividing the roles in a manner that limits any overlapping of efforts.

C. Supporting implementation through establishing Local Handicrafts Clusters Platforms

HCPs will be the imploratory hand of the policy recommendation as they will be the body that has the resources and the geographical vicinity. HCPs will be composed of the Local Economic Development Unit of each governorate. Additionally, the platform is led by the governor and should include representatives from the MSMEDA, the MoSS, the IMC, the EHEC, the Chambers of Handicrafts Industry and Cluster representatives. In this platform, members should ensure good understanding of their roles and put action plans designed under the Executive committees into reality.

The HCPs will be also mandated to collect the needed data and provide the executive committee with any resources that could feed into strategies and action plans. They should work as the link between the local level and the executive Technical Secretariat at the national level. They should act as the technical arm to implement the needed reforms to support clusters and handicrafts at the local level.

## Roadmap to Implementation

### D. Supporting the handicraft cluster development through Upper Egypt Local Development program

The UELDP is working in two governorates on a Cluster Competitiveness initiative. This initiative includes the development of value chain analysis, market analysis and exploring markets. To achieve the indicators of the program in this area, it is suggested that they capitalize on the ecosystem suggested above, to utilize the available network.

Also, the UELDP works on building the capacities of staff at local governorates, this will offer our recommendation a good skill base to build on the HCPs. Additionally, the suggested ecosystem can also be tested and modified to be rolled out in other clusters and governorates.

Accordingly, customized frameworks can be defined and institutionalized to support the relevant stakeholders in the development of the handicraft clusters depending on the

handicraft and/or governorate.

Finally, it is crucial to reflect on the limitations and unanticipated consequences related to the development of this policy paper. Whilst the interviews conducted for this policy paper provided relevant information from a variety of stakeholders, the authors were unable to reach important informants, especially from the MSMEDA, from the private sector as well as from the cluster representatives themselves. Additionally, the number of secondary resources available on the topic of handicrafts development in Egypt is limited. Most international experiences also revolve around the Indian experience. In light of the circumstances of Covid-19, most interviews were conducted over the phone which is not always as efficient and effective as face-to-face interviews. Finally, the authors themselves were unable to meet face-to-face due to the outbreak of the second wave of the pandemic.



## References

- Abdelaziz, F., El-Enbawy, H., Zhang, X., & Breisinger, C. (2018). *Clusters as drivers of local industrial development in Egypt*. Cairo: The IFPRI Egypt Strategy Support Program.
- Abdelrazik, A. M. (2018). A Strategy to Preserve and Promote the Egyptian Traditional Handicrafts. مجلة العمارة والفنون, 27-36.
- Abdin, J., & Rahman, M. (2015). Cluster Development Models: Challenges and Opportunities. Экономика и предпринимательство.
- African Development Bank. (2013). Grant Proposal for Financing under the MENA TRANSITIONAL FUND: Support to Micro, Small and Medium Enterprises in Organic Clusters Project. Cairo: AfDB.
- Akerlof, G. (1970). The Market for «Lemons»: Quality Uncertainty and the Market Mechanism. *Quarterly Journal of Economics*, (3)84. 488-500.
- ALEXBANK. (2016, May 24). ALEXBANK Launches “Ebda3 Men Masr” Initiative. Retrieved from ALEXBANK:<https://www.alexbank.com/en/retail/about-us/media-and-news/2016/24-may.html>
- ALEXBANK. (2018, May 2). ALEXBANK signs a cooperation protocol with the Ministry of Social Solidarity during the Artisan Design Fair. Retrieved January 2021, from ALEXBANK: <https://www.alexbank.com/en/retail/about-us/media-and-news/2018/2-may.html>
- Caputo, R. K. (2013). Chapter 4: Evaluating Policy Proposals. In R. K. Caputo, *Policy analysis for social workers* (pp. 57-77). Thousand Oaks, California: SAGE Publications.
- Chapain, C. C.-G. (2010). *Creative clusters and innovation. Putting creativity on the map*. London: NESTA Global Foundation.
- Creative Egypt. (2021). *Who we are?* Retrieved January 2021, from Creative Egypt: <https://www.creativeegypt.org/Store/About>
- Deb, R., & Dey, N. B. (2016). *Role of Cluster Approach in Entrepreneurship Development in MSMEs India and Tripura*. Doctoral Dissertation.
- El Baradei, M. (2010). *Cluster Development in Egypt*. TCI. Retrieved January 2021, from The global practitioners network for competitiveness, clusters and innovation: <http://www.tci-network.org/news/69>.
- Gereffi, G. & S. (2011). *Global value chain analysis: a primer*. Duke University, North Carolina, USA: Center on Globalization, Governance & Competitiveness (CGGC).
- Kuenkel, P., Kühn, E., Stucker, D., & Williamson, D. F. (2021). *Leading Transformative Change Collectively*. New York: Routledge.
- Ministry of Planning, Monitoring and Administrative Reform. (n.d.). *Sustainable Development Strategy: Egypt's Vision 2030*. Cairo: MoPAR.

## References

- Mohamed, R. (2020, September 25). *Handicraft Industry Chamber*. Retrieved January 2021, from bawabtalsharq: <https://www.bawabtalsharq.com/handicraft-industry-chamber.html>
- MOIC. (2021). *Tapping on the Power of Small*. Retrieved January 2021, from Ministry of International Cooperation: <http://www.moic.gov.eg/en-US/Sectors/Index?na=79>
- MOIC. (2021). Mounir, H. (2020, August 25). *MSMEDA provides all possible support to Egypt handicrafts: Trade Minister*. Retrieved January 2021, from Daily News: <https://dailynewsegypt.com/2020/08/25/msmeda-provides-all-possible-support-to-egypt-handicrafts-trade-minister/>
- MSMEDA. (2018). *Egypt's National Strategy for the Development of Organic Clusters: 2019-2030*. Cairo: Entrust Development and Management Consultants.
- MTI. (2018). *The Handicrafts Sector*. Cairo: Trade and Domestic Market Enhancement Programme.
- MTI. (2021). Ministry's Mission and Objectives. Retrieved January 2021, from Ministry of Trade and Industry: <http://www.mti.gov.eg/English/aboutus/ministrysmisionobjectives/Pages/default.aspx>
- NCW. (2021). *National Council for Women*. Retrieved January 2021, from <http://www.ncw.gov.eg/>
- Samir, A. (2020, October). *مسعد عمران : الحرف اليدوية ثاني أكبر القطاعات بعد الزراعي في مصر*. Retrieved January 2021, from roayatwatneg: <http://roayatwatneg.com/2020/10/10/%D9%85%D8%B3%D8%B9%D8%AF%D8%B9%D9%85%D8%B1%D8%A7%D9%86-%D8%A7%D9%84%D8%AD%D8%B1%D9%81-%D8%A7%D9%>
- Sarkar, T., & Banerjee, S. (2007). Artisan Clusters – Some Policy Suggestions. *The Innovation Journal: The Public Sector Innovation Journal*.
- Venkataramanaiah, S., & Kumar, N. G. (2011). Building Competitiveness: A Case of Handicrafts Manufacturing Cluster Units. *IMJ*.
- World Bank. (2016, September 16). *Program Appraisal Document: Upper Egypt Local Development Program*. Retrieved January 2021, from The World Bank: <http://documents1.worldbank.org/curated/en/292181475507142347/pdf/108094PAD-REVISED-OUO-9-Egypt-UELDP-PAD-25Aug16-Clean-final-2-08292016.pdf>
- Zakharova, E. N., Prokhorova, V. V., Shutilov, F. V., & Klochko, E. N. (2015). Modern tendencies of cluster development of regional economic systems. (6, Ed.) *Mediterranean journal of social sciences*.
- Zimmermann, A., & Maennling, C. (2007). *Tools for Stakeholder Analysis: 10 building blocks for designing participatory systems of cooperation*. Eschborn: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH Postfach.





# THE PUBLIC POLICY HUB

Where Rigour Meets Creativity

The Public Policy HUB is an initiative that was developed at the School of Global Affairs and Public Policy (GAPP) in October 2017. It was designed to fill in the policy research gap in Egypt. It provides the mechanism by which the good ideas, plausible answers, and meaningful solutions to Egypt's chronic and acute policy dilemmas that are proposed by the country's best minds, the experienced and the creative from different age brackets, can be nurtured, discussed, debated, refined, tested and presented to policymakers in a format that is systematic, highly-visible and most likely to have a lasting impact.

It is designed to develop a cadre of well-informed and seasoned policy developers and advocates, while simultaneously fostering and promoting creative solutions to the challenges facing Egypt today. The project provides a processing unit or hub where policy teams are formed on a regular basis, combining experienced policy scholars/mentors with young creative policy analysts, provide them with the needed resources, training, exposure, space, tools, networks, knowledge and contacts to enable them to come up with sound, rigorous and yet creative policy solutions that have a greater potential to be effectively advocated and communicated to the relevant policymakers and to the general public.

Since its establishment, the Public Policy HUB has been supported by Carnegie Corporation of New York, UNICEF Egypt, and Oxfam. The Hub had partnerships with different ministries and governmental institutions like the Ministry of Social Solidarity, Ministry of Planning, Ministry of Health, Ministry of Trade and Industry, Ministry of Local Development, Ministry of Education, Ministry of Environment, National Council for Childhood and Motherhood, National Population Council, and General Authority For Transportation Projects Planning.

**The School of Global Affairs and Public Policy  
The American University in Cairo – New Cairo Campus  
Jameel Building**

**<https://gapp.aucegypt.edu/public-policy-hub>**

Contact us on: **[policyhub@aucegypt.edu](mailto:policyhub@aucegypt.edu)**

Follow «The Public Policy Hub» on:

 [PublicPolicyHUB](#)  [PolicyHub](#)  [Public Policy Hub](#)  [The Public Policy HUB - AUC GAPP](#)