



AFRICAN DEVELOPMENT BANK GROUP



# Egypt's National Strategy for the Development of Organic Clusters: 2019 – 2030



## EXECUTIVE SUMMARY

Submitted to

Medium, Small & Micro Enterprise  
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## Acronyms

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ASRT	ACADEMY OF SCIENTIFIC RESEARCH AND TECHNOLOGY.
BDS	BUSINESS DEVELOPMENT SERVICES
CAPMAS	CENTRAL AUTHORITY FOR PUBLIC MOBILIZATION & STATISTICS
CDA	CLUSTER DEVELOPMENT ASSOCIATION
CSOs	CIVIL SOCIETY ORGANIZATIONS
CSR	CORPORATE SOCIAL RESPONSIBILITY
EBRD	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
EECH	EGYPTIAN EXPORT COUNCIL FOR HANDICRAFT
ERF	ECONOMIC RESEARCH FORUM
EU	EUROPEAN UNION
FEI	FEDERATION OF EGYPTIAN INDUSTRIES
FSWG	FINANCIAL SERVICES WORKING GROUP
GCI	GLOBAL COMPETITIVENESS INDEX
GERD	GROSS DOMESTIC EXPENDITURE ON R&D
GoE	GOVERNMENT OF EGYPT
IDA	INDUSTRIAL DEVELOPMENT AUTHORITY
KPIs	KEY PERFORMANCE INDICATORS
LC	LETTER OF CREDIT
LCDC	LOCAL CLUSTER DEVELOPMENT COMMITTEE
LG	LETTER OF GUARANTEE
MNCs	MULTINATIONAL CORPORATIONS
MSMEs	MICRO, SMALL AND MEDIUM ENTERPRISES
MSMEDA	MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT AGENCY
NBFIs	NON-BANKING FINANCIAL INSTITUTIONS
NCW	NATIONAL COUNCIL FOR WOMEN
PSME	PROMOTION OF SMALL AND MEDIUM ENTERPRISES
SDS	SUSTAINABLE DEVELOPMENT STRATEGY
SMEs	SMALL AND MEDIUM ENTERPRISES
STI	SCIENCE, TECHNOLOGY AND INNOVATION
STIWG	SCIENCE, TECHNOLOGY AND INNOVATION WORKING GROUP
TICO	TECHNOLOGY, INNOVATION AND COMMERCIALIZATION OFFICE
TTO	TECHNOLOGY TRANSFER OFFICES
TVET	TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING
UNIDO	UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT



## Executive Summary

The importance of clusters to the economic and social development of countries around the world has been globally recognized since the 1990s. Egypt was one of the earliest countries in MENA to acknowledge the importance of organic clusters to its economic competitiveness. Early in 2003/2004, the **“Policy Framework for Enhancing the Competitiveness of Small and Medium Enterprises in Egypt”** had the development of organic clusters as one of its main components. Since then, organic clusters have been present on the agenda of economists, policy makers, and development organizations. Several initiatives and projects targeted clusters in Egypt in various capacities; however, these efforts lacked synchronicity and coherence, and hence had minimal impact, due to the absence of a well thought out policy on clusters development.

The complexity and severity of the constraints facing clusters, together with their huge potential contribution to competitiveness, economic growth and social and spatial equity, entail that cluster development be treated as a national issue involving significant coordination of efforts among all pertinent government and extra-government actors and entities. Despite their significant actual and potential contribution to the national economy, the lack of a clear, consistent and coherent policy towards clusters development is one of the major obstacle facing clusters development efforts in Egypt.

The formulation of the National Strategy for the Development of Organic Clusters comes at a critical transitional point in Egyptian history, as Egypt lays the foundation for rapid inclusive economic growth. This strategy contributes to this foundation through enabling and empowering local communities of private sector enterprises, academic institutions, and service providers to unleash their economic potential and evolve into poles of regional and international competitiveness.

A main challenge to the formulation and implementation of cluster development strategy is how to combine the local nature (and hence the specific focus) of cluster development on the one hand, with the common denominators that are to be targeted on the national level. In responding to this challenge, this Strategy is adopting an approach that unleashes the potential of local clusters through building their capacities and empowering them to formulate and implement cluster-specific plans for each individual cluster. On the other hand, this approach also has a focus on national-level interventions that serve to establish the pillars that will support the development efforts of the various clusters. Accordingly, while taking into consideration the overall strategic orientation of the GOE, this strategy enjoys sufficient flexibility to respond to and enhance local cluster development initiatives.

### A. Cluster Definition

The strategy proposes the endorsement of a definition that can be adopted across the various GOE departments and that is to guide cluster development efforts in the country. Drawing on Michael Porter’s definition of a cluster, the proposed definition is:

A cluster is geographical concentration of interlinked firms and institutions in related branches of industry that complement each other by joint relations of exchange and activities along one, (or several) value, that sell the final products outside the cluster and that share the same challenges and opportunities.



## B. Clusters in Egypt

Egypt has at least 145 organic productive clusters, distributed among nine manufacturing and handicrafts subsectors. This substantial number of confirmed organic productive clusters does not include touristic clusters (e.g. Sharm El-Sheikh), or specialized commercial/marketplace clusters (e.g. Darb el Barabra, Wekalet el Balah...etc.). While some cluster managed, against significant odds, to become world leaders in their respective subsectors (e.g. Shaa El Teaban in marble processing), most clusters suffer from severe constraints. These include the following:

- **Low Levels of Social Capital**, thereby resulting in weak collective efficiency and joint action.
- **Weak Institutional Capacity**, resulting in weak dynamism and self-governance ability.
- **Biased Institutional Representation**, giving rise to horizontal division and fragmentation within the cluster and further weakening its business associations and collective efficiency.
- **Sub-Optimal Value Chain Development** within Clusters, with most cluster trapped in low-value segments of their respective value chains.
- **Cluster Isolation** from national and international markets and developments in their subsectors.
- **Suboptimal competitive structures** of many Egyptian industries
- **Widespread Informality** restricting private sector dynamism and creating suboptimal working conditions.
- **Inadequate Infrastructure and Urban Planning** constraining operations within the cluster and creating a myriad of environmental and health problems.

## C. Cluster Development Vision for Egypt

Formulating a vision for the Strategy is the first step towards creating consensus and a sense of direction. The proposed vision for teh strategy is

Egypt's clusters realize collective efficiencies and international competitiveness through dynamic, market-driven and private sector-led partnerships between businesses, government and academia.

The proposed Strategy process is broadly composed of three levels:

- ⇒ The Micro Level: This is the focus of strategy implementation and the support to be provided by the other levels and the GOE.
- ⇒ The Meso Level: This is where nationwide technical and material resources are mobilized and coordinated under the three economic pillars to support micro-level initiatives.
- ⇒ The Macro Level: This is where policy support to the local level is formulated, additional resources mobilized and strategy is coordinated and adjusted.

## D. Pillars of the Cluster Development Strategy

The strategy can be visualized as consisting of three economic pillars and three crosscutting themes:

### Economic Pillars:

- ⇒ Research, Innovation and Technology Transfer
- ⇒ Specialized Skills Development
- ⇒ Access to Finance

### Cross-Cutting Themes:

- ⇒ Governance
- ⇒ Gender Equity
- ⇒ Legal and Regulatory Reform



## E. Strategic Objectives, Results and Initiatives

To realize the strategy’s vision, the following **objectives of the three economic pillars** shall be met:

- ⇒ **Objective 1 (Research, Innovation & Technology Transfer):** Increased effective and efficient collaboration between STI and the private sector in organic clusters.
- ⇒ **Objective 2 (Specialized Skills):** The availability of a specialized and skilled labor force in organic clusters.
- ⇒ **Objective 3 (Access to Finance):** Increased variety, outreach and penetration of demand-driven financial services that cater to the needs of clusters and enhance their competitiveness.

Each strategic objective is to be met through achieving a set of results. The strategy proposes a set of interventions for the achievement of each of these results. The tables below map these objectives:

### **Objective 1 (Research, Innovation & Technology Transfer): Increased effective and efficient collaboration between STI and the private sector in organic clusters.**

Results	Initiatives
Result 1.1. Effective Business-STI interface on the cluster and meso levels.	1.1.1. Establish Sector/Cluster-specific Business-STI committees with adequate gender representation in priority sectors/clusters. 1.1.2. Representation of local and sector-specific STI institutions in local cluster development committees (LCDCs). 1.1.3. Establish a national Science, Technology and Innovation Working Group (STIWG) of businesses and STI institutions.
Result 1.2. STI services are accessible and responsive to the needs of the private sector in organic	1.2.1. Local universities and STIs to develop specialized research and innovation programs targeting clusters in their vicinities. 1.2.2. Develop marketing and outreach capacities for TTOs and other relevant STI institutions. 1.2.3. Require TTOs and other relevant STI institutions to progressively generate portions of their revenues from private sector sources.
Result 1.3. Male and female private sector cluster actors are aware of the value of collaboration with STI.	1.3.1. Develop a Cluster Innovation Index, and conduct a gender sensitive innovation diagnosis and needs assessment of clusters. 1.3.2. Conduct gender sensitive innovation awareness campaigns in collaboration with STI institution, private sector, MTI and the Media.
Result 1.4. Accessible gender-sensitive financial products and services that promote innovation at the cluster level.	1.4.1. Develop competitive cost-sharing grant programs to stimulate private sector expenditure on innovation and R&D, and promote joint private sector-STI collaboration. 1.4.2. Support the development of programs to assist in the commercialization of the STI viable outputs.





	1.4.3. Stimulate equity finance providers to target clusters and STI.
Result 1.5. A supportive legal and regulatory framework in place.	1.5.1. Provide tax incentives for private investment in STI and R&D.
	1.5.2. Provide Tax incentives for equity finance of innovative start-ups
	1.5.3. Introduce legislative changes to involve the private sector in the governance of academic and STI institutions.

**Objective 2 (Specialized Skills): The availability of a specialized and skilled labor force in organic clusters.**

Results	Initiatives
Result 2.1. Effective cooperation between the private sector, TVET institutions and relevant stakeholders to develop Technical and Vocational Education and Training (TVET) to satisfy the clusters' evolving needs of specialized skills.	<p>2.1.1. Develop an effective and sustainable mechanism for collaboration between clusters' enterprises and the TVET institutions to design market-driven training programs that equip the clusters' taskforce with needed skills and competencies.</p> <p>2.1.2. Encourage private and joint investments in TVET and informal education to satisfy specialized skills needs of the cluster.</p> <p>2.1.3. Encourage the cluster's enterprises to actively engage in dual education.</p>
Result 2.2. The continuous development of the specialized skill level of the cluster to match local and international developments in the field.	<p>2.2.1. Continuous updating &amp; accreditation of the educational and training curricula.</p> <p>2.2.2. Continuous dialogue and exchange with the local and international experts and training providers</p>
Result 2.3. A decent work environment in the cluster that attracts and retains specialized labor.	<p>2.3.1. Creating a safe work environment in organic clusters.</p> <p>2.3.2. Promote and lobby for laws that provide benefits and incentives to the private sector that invests in a safe work environment</p>
Result 2.4. A legislative environment that encourages the private sector to support and invest in TVET.	<p>2.4.1. Promote and lobby for laws that provide benefits and incentives to the private sector that invests in TVET</p>



**Objective 3 (Access to Finance): Increased variety, outreach and penetration of demand-driven financial services that cater to the needs of clusters and enhance their competitiveness.**

Results	Initiatives
Result 3.1. Effective mechanism in place to facilitate information exchange and access to financial services between financial services' providers and clusters.	3.1.1. Build an informative user-friendly database of financial services available to clusters; 3.1.2. Build an informative user-friendly database of market information including investment opportunities at the cluster level (segregated by Gender)
Result 3.2. Organic Clusters able to package potential investment and financing opportunities (including establishing Joint Ventures among cluster members) and present/negotiate it with financial services' providers.	3.2.1. Develop the capacity of cluster facilitator to explore and promote collective investment opportunities among cluster actors 3.2.2. Enhance awareness among clusters about available financial services, especially equity investments (VCs and Angel Investors) and their relevant financing criteria
Result 3.3. Enhanced Financial services providers' capacity to develop cluster-specific products and services	3.3.1. Develop/adapt financial products to fit the needs of organic clusters. 3.3.2. Promote win-win based partnerships between NBFs, Investors and banks to enhance outreach and penetration of financial services at the cluster level; including institutional financing for NGOs and Cooperatives. 3.3.3. Design financial products promoting innovation at the clusters level. 3.3.4. Enhance awareness among financial services providers about the needs of clusters
Result 3.4. Incentive mechanisms in place to invest in, and provide financial services for clusters (especially for start-up projects).	3.4.1. Provide tax incentives for private equity investments in start-up enterprises within clusters ( <u>activity covered under 1.6</u> ) 3.4.2. Include clusters as a specific beneficial from GOE/CBE initiatives (e.g. preferential borrowing rate of 5%) 3.4.3. Promote incentives for individual or joint acquisition of machinery and Equipment through leasing services (especially for renewable sources of energy and environmental compliance, and promote innovations) 3.4.4. Facilitate private VC and Business Angels investors' exit from cluster investees (including legal and valuation services)
Result 3.5. Effective insurance and credit guarantee products in place to entice financial services' providers to finance clusters.	3.5.1. Develop sector/cluster specific insurance and guarantee services benefiting financial services providers at the enterprise level (e.g. weather insurance and PPE insurance). 3.5.2. Assist financial services providers (leasing companies) in dispensing assets/machinery recovered from clusters in default cases 3.5.3. Provide contract negotiation and legal assistance to cluster actors to qualify (sales and export) contracts, as well as letters of credit and relevant export/import documents to be recognized as a collateral for financing (especially for export-oriented clusters).





Result 3.6. Cluster members and financial services' providers are able to collectively advocate for required legislative and procedural changes.	<p>3.6.1. Establish a "Financial Services Working Group" (FSWG) composed of financial service providers and private sector representatives that is representative and committed; to be part of the governance structure at the national level.</p> <p>3.6.2. Create a mechanism to evaluate, record and communicate required changes in laws, policies and regulations related to access to finance, within the framework of the nation-wide cluster</p> <p>3.6.3. Advocate for incentives (discussed above) to financial services providers, as well as providing tax preferential treatments to clusters.</p>
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In addition, the three **crosscutting themes** have the following objectives:

- ⇒ **Governance:** effective coordination mechanisms that rely on participatory and private sector-led formulation and implementation dynamics are in place.
- ⇒ **Gender:** enhanced women's participation and strengthened position in clusters.
- ⇒ **Legal & Regulatory Reform:**
  - Collective efficiency of clusters is stimulated and promoted through joint action.
  - A favourable legal and regulatory framework for private sector, especially MSMEs, is in place.
  - Legal and regulatory barriers to effective service delivery are removed.

## F. Implementation & Coordination Arrangements

The proposed implementation mechanism shall operate on three levels:

- ⇒ The Micro (Cluster) Level: Through local cluster development, associations/programs governed by a cluster development committee and supported by a cluster facilitator.
- ⇒ The Macro Level: Through the transformation of the Core Group into an Advisory Committee for MSMEDA on Cluster Development.
- ⇒ The Meso Level: Through the Working Groups formed during strategy formulation.

Most of the structures proposed above were already formed during the formulation of the Strategy. The strategy formulation methodology focused on gradually developing a coordination mechanism across the macro, meso and micro levels, and as a result:

- ⇒ The strategy was formulated in an inclusive participatory manner that focused on building the ownership and commitment of the stakeholders, especially the private sector.
- ⇒ A coordination mechanism was progressively established *in tandem* with strategy development.

**The Micro (cluster-level)** is the main focus and key player in strategy implementation. Its institutional set-up shall be composed of the following:

- ⇒ **A Cluster Development Committee** to identify needs and prioritize them, develop plans and follow-up on their implementation, undertake fund-raising and mobilize the necessary resources. The committee includes a majority of private sector members, together with representatives of local service providers, the NCW and local government.



- ⇒ **A Cluster Facilitator** (identify competitive pockets within the cluster, stimulate collective efficiency/actions, coordinate the implementation of the cluster development plan)
- ⇒ **Cluster Development Specialists** to help the Facilitator to coordinate the delivery of the needed services (e.g., finance, marketing...etc.), as well as to coordinate the implementation of the plan.
- ⇒ **Cluster Development Association/Program** to house all of the above. If the program is to be housed in an existing association, the program should have its own separate Advisory Board (the Cluster Development Committee, above), staff, bank account and resources. Other options to consider for housing the local setup may include MSMEDA, a local Chamber or Business Association.

Clusters shall enjoy significant autonomy in prioritizing their needs and developing their plans. Certain components of the plan can be satisfied on the local level, without requiring approvals from the central government or Cairo-based actors.

**On the Macro (policy) level**, the Core Group of partners is already formed for the purpose of strategy formulation. It is proposed to transform this Core Group into an Advisory Committee for Cluster Development, with MSMEDA being the key coordinating body on this level. Currently, the Core Group is composed of the following:

- ⇒ Ministry of Trade & Industry
- ⇒ Ministry of Planning, Monitoring & Administrative Reform
- ⇒ Ministry of Local Development, Monitoring & Administrative Reform
- ⇒ Ministry of Higher Education and Scientific Research
- ⇒ Ministry of Education and Technical Education
- ⇒ Micro, Small & Medium Enterprise Development Agency
- ⇒ Federation of Egyptian Industries
- ⇒ National Council for Women

This level is indispensable to assure political support at the highest levels of government, as well as coordination across the various government departments.

**The Meso level shall consist of the working groups already formed during strategy formulation that correspond to the key strategic pillars (Skills Upgrading, Access to Finance, and Research, Innovation & Technology Transfer).** These Working Groups are composed of actors that have nation-wide mandates and resources that are indispensable for the successful implementation of the strategy. This level shall offer specialized nationwide support under the three strategic component/pillars.

**A Challenge Fund through which cost-sharing arrangements are to be undertaken and managed** shall be set up. This fund can have:

- ⇒ **A thematic focus** (e.g. to promote collaboration between private sector and academia, collaboration among private sector actors on specific projects on the cluster level...focusing on women owned or managed enterprises within certain clusters etc.).
- ⇒ **A cluster focus** (e.g. to co-finance specific cluster development initiative in a cluster or a group of clusters specifically targeted during a certain stage).



**Inter-Cluster Cooperation shall be an important implementation vehicle.** The proposed implementation mechanism provides for inter-cluster cooperation through several avenues:

- ⇒ **First: Sub-Sector Networks** shall be established among clusters active in the same subsector.
- ⇒ **Second: Exchange visits between clusters** shall be organized whereby representatives of different clusters shall exchange experiences and lessons learned, and explore potential for inter-cluster and sector-wide cooperation.

**Monitoring:** The Strategy called for the development of a **cluster development index**. This index should enable policy makers and implementation partners to gauge the performance of clusters vis-à-vis one another. In addition, several cluster networks (World Bank, EU...etc.) house a cluster benchmarking facility for international comparisons. These would be of significant importance to policy makers.

## G. Next Steps

Given the complexities associated with implementing national cluster initiatives that involves significant work on the various levels of government, it is recommended to undertake the work in three main stages:

- A Preparatory Phase
- A Pilot Phase (4 to 5 years)
- Scaling-Up Phase

**Under the Preparatory Phase** work in this phase involves laying down the institutional and informational foundations for strategy implementation. It should involve:

- ⇒ **Government and nation-wide dissemination** of the strategy, leading to its full adoption by the various parties and stakeholders on the macro, meso and micro levels.
- ⇒ **Formalizing the institutional setup** of the coordination/implementation mechanism on the macro and meso levels.
- ⇒ **Setting up the Challenge Fund**

**Under the Pilot Phase** work shall involve:

- ⇒ The identification of pilot clusters
- ⇒ Establishing the necessary institutional setup in each cluster.
- ⇒ Cluster diagnostics and formulation of cluster development plans
- ⇒ Implementation of development plans

At the end of the Pilot phase, **a rigorous evaluation** is to be conducted, through which:

- The Strategy is to be revisited and refined.
- The Scaling-up phase is to be planned.

**Scaling-Up Phase:** Based on the lessons learned from the pilot phase, the strategy shall proceed to scale up its interventions. Again, this should be done in stages, of four to five years each. However, with experiences gained from each preceding stage, and with the institutional set-up on the meso and macro level maturing, the numbers of clusters supported should increase exponentially.



# LOGICAL FRAMEWORKS OF STRATEGIC PILLARS



## 1.1. SCIENTIFIC RESEARCH, TECHNOLOGY & INNOVATION (STI) COMPONENT

<u>OBJECTIVE</u> Increased effective and efficient collaboration between STI and the private sector in organic clusters				
<i>Result</i>	<i>Initiatives</i>			
1.1. Effective Business-STI interface on the cluster and meso levels.	1.1.1. Establish Sector/Cluster-specific Business-STI committees in priority sectors/clusters 1.1.2. Representation of local and sector-specific STI institutions in local cluster development committees 1.1.3. Establish a National Innovation Working Group of Businesses and STI institutions.			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative<sup>2</sup></i>	<i>Responsible Party (Primary / Secondary)</i>
1.1.4. Representation of local and sector-specific STI institutions in local cluster development committees.	<ul style="list-style-type: none"> <li>- Relevant STIs represented in local cluster development committees.</li> <li>- Viable business opportunities for collaboration between relevant STI and private sector in clusters identified.</li> <li>- Including a criterion on the level of interaction with clusters in the evaluation of STIs.</li> </ul>	<ul style="list-style-type: none"> <li>- Represent relevant STI institutions in local cluster development committees.</li> <li>- STI representatives will work as a liaison officers between the clusters and the relevant STI.</li> <li>- Clusters STI needs will be discussed and conveyed to the participated STI in the cluster development committees.</li> <li>- Identify potential viable business opportunities for collaboration between relevant STI and clusters entities</li> </ul>	ST	P: Governors S: Relevant STIs

<sup>2</sup> ST = up to 3 years, MT = 4-10 years, LT=10+







		- Provide co-funding for Private sector-STI cluster collaboration initiatives		
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<i>Result</i>	<i>Initiatives</i>			
1.2. STI services are available, accessible and responsive to the needs of the private sector in organic clusters.	1.2.1. Local universities and STIs to develop specialized research and innovation programs targeting clusters in their vicinities. 1.2.2. Develop marketing and outreach capacities for TTOs and other relevant STI institutions. 1.2.3. Require TTOs and other relevant STI institutions to progressively generate portions of their revenues from private sector sources.			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.2.1. Local universities and STIs to develop specialized research and innovation programs targeting clusters in their vicinities.	<ul style="list-style-type: none"> <li>- No. of programs targeting clusters.</li> <li>- No. of institutions developing specialized research programs targeting clusters.</li> </ul>	<ul style="list-style-type: none"> <li>- Develop collaboration agreements between the MoIT Technology Centres and ASRT to capitalize on their resources to provide responsive STI services to private sector needs in targeted clusters.</li> <li>- Conduct orientation sessions and study tours for graduates and scientific researchers to learn about clusters challenges and needs, and opportunities for cooperation with private sector.</li> <li>- Tying graduation projects and scientific degrees in local universities with the needs of clusters.</li> </ul>	ST	P: Ministry of Higher Education & Scientific Research S: ASRT S: MSMEDA



<p>1.2.2. Develop marketing and outreach capacities for TTOs and other relevant STI institutions.</p>	<ul style="list-style-type: none"> <li>- No. of TICO offices whose marketing &amp; outreach capacities were assessed.</li> <li>- Marketing and outreach capacity building delivered to X TICO offices.</li> <li>- No. of clusters and cluster actors served by TICOs.</li> <li>- Level of awareness of private sector cluster actors of TICO services.</li> <li>- Level of satisfaction of TICO private sector clients in clusters.</li> </ul>	<ul style="list-style-type: none"> <li>- Assess TICO offices present marketing and outreach capacities and its available resources</li> <li>- Provide support to ASRT and universities in developing and delivering responsive marketing capacity building interventions targeting clusters.</li> </ul>	<p>ST</p>	<p>P: ASRT S: MSMEDA</p>
<p>1.2.3. Support TTOs and other relevant STI institutions to progressively generate portions of their revenues from private sector sources.</p>	<ul style="list-style-type: none"> <li>- Best practice models identified.</li> </ul>	<ul style="list-style-type: none"> <li>- Develop effective management model for TICO offices to partially recover their costs.</li> <li>- Pilot the proposed model in selected TICO offices.</li> </ul>	<p>ST</p>	<p>P: ASRT S: MSMEDA</p>

<i>Result</i>	<i>Initiatives</i>			
<p>1.3. Male and female private sector cluster actors are aware of the value of collaboration with STI.</p>	<p>1.3.1. Conduct innovation awareness campaigns in collaboration with STI institution, private sector MoTI and the Media.</p> <p>1.3.2. Organize cluster/level workshops in the priority clusters to disseminate the outcomes of the relevant Sector/Cluster Innovation Committees, as well as showcase research projects and innovative solutions.</p> <p>1.3.3. Conduct clusters innovation diagnosis and needs assessment including gender analyses.</p>			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>





cluster level.				
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.4.1. Develop cost-sharing programs to stimulate private sector expenditure on innovation and R&D.	<ul style="list-style-type: none"> <li>- Amount of funding made available to cost sharing programs.</li> <li>- Funding made to clusters through the Innovation Support Fund.</li> </ul>	<ul style="list-style-type: none"> <li>- Allocate a portion of funding by donors, MSMEDA and other relevant entities to develop these programs.</li> <li>- Activate the Innovation Support Fund and expand its outreach to encompass clusters</li> </ul>	MT	P: MSMEDA S: ATSR, MIIC
1.4.2. Support the development of programs to assist in the commercialization of viable STI outputs.	<ul style="list-style-type: none"> <li>- Number of STI products commercialized</li> </ul>	<ul style="list-style-type: none"> <li>- Assist in copyrighting STI viable outputs to facilitate its commercialization</li> <li>- Assist in developing proper pricing policies for commercialized STI outputs</li> </ul>	MT	P: ATSR
1.4.3. Stimulate equity finance providers to target clusters and STI.	<ul style="list-style-type: none"> <li>- No. of equity finance providers.</li> <li>- No. of transactions.</li> <li>- Value of transactions.</li> </ul>	<ul style="list-style-type: none"> <li>- Promote incentives (Tax Holidays) targeted to Business Angels and Venture Capital Funds investing in cluster-related STI</li> </ul>	MT	



<i>Result</i>	<i>Initiatives</i>			
1.4. A supportive legal and regulatory framework in place.	1.4.2. Provide tax incentives for private investment in STI and R&D. 1.4.3. Provide Tax incentives for equity finance of innovative start-ups. 1.4.4. Introduce legislative changes to involve the private sector in the governance of academic and STI institutions.			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.5.1 Provide tax incentives for private investment in STI and R&D.	<ul style="list-style-type: none"> <li>- % of funding to STI and R&amp;D from private sector</li> <li>- Value of private investment in STI and R&amp;D.</li> <li>- No. of STI and R&amp;D projects funded by private sector.</li> </ul>	-	MT	P: MOF S: MTI, MSMEDA, ASRT
1.5.2. Provide Tax incentives for equity finance of innovative start-ups.	<ul style="list-style-type: none"> <li>- No. of equity finance providers.</li> <li>- No. of transactions.</li> <li>- Value of transactions.</li> </ul>	-	MT	P: MOF S: EFSA, ASRT, MSMEDA
1.5.3. Introduce legislative changes to involve the private sector in the governance of academic and STI institutions.		-	LT	P: MHESR



## 1.2. SPECIALIZED SKILLS COMPONENT

<b>OBJECTIVE:</b> The availability of a specialized and skilled labor force in organic clusters.				
<i>Result</i>	<i>Initiatives</i>			
1.3. Effective cooperation between the private sector, TVET institutions and relevant stakeholders to develop Technical and Vocational Education and Training (TVET) to satisfy the cluster's on-going need of specialized skills.	1.3.1. Develop an effective and sustainable mechanism for collaboration between clusters' enterprises and the TVET institutions to design market-driven, gender sensitive training programs that equip the clusters' taskforce with needed skills and competencies. 1.3.2. Encourage private and joint investments in TVET and informal education to satisfy specialized skills needs of the cluster. 1.3.3. Encourage the cluster's enterprises to actively engage in dual education.			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.1.1 Develop an effective and sustainable mechanism for the collaboration between the clusters' enterprises and the TEVET institutions to design market driven, gender sensitive training programs that equip the clusters' taskforce with	<ul style="list-style-type: none"> <li>- SSD advisory board active.</li> <li>- Database established and mechanism to update it in place.</li> <li>- The specialized skill base of the cluster identified and documented.</li> </ul>	<ul style="list-style-type: none"> <li>• Forming a "Specialized Skills Development - SSD" subcommittee from amongst the pertinent members of the LCDC to enhance the specialized skill base.</li> <li>• Develop a complete database of the enterprises inside the cluster, clarifying size, production specialization and capacity, number and gender of employees /workforce... etc<sup>3</sup>.</li> <li>• Conduct periodic surveys<sup>4</sup> amongst the enterprises to identify and prioritize:</li> </ul>	ST	P: LCDC S: TVET organizations, MSMEDA, National Skills Development Working Group (NSDWG)

<sup>3</sup> To be incorporated in MSMEDA's Cluster Map.

<sup>4</sup> To be incorporated in MSMEDA's Cluster Map





needed skills and competencies		<ul style="list-style-type: none"> <li>- Cluster's shortage in needed technical and specialized skills</li> <li>- Type of specialized technical training needed to enhance the skill level inside the cluster.</li> <li>• Identify public &amp; private TVET providers that address these technical skills and competencies.</li> <li>• Sign MOUs with relevant TVET providers to develop &amp; offer needed training &amp; education.</li> </ul>		
1.1.2 Encourage private and joint investments in TVET to satisfy specialized skills needs of the clusters.	<ul style="list-style-type: none"> <li>- The availability of formal &amp; informal training opportunities; to enhance the cluster's specialized skills.</li> <li>- Amount of funds raised by the cluster's private sector to support specialized skills training.</li> <li>- No. of private and joint investments in TVET</li> </ul>	<ul style="list-style-type: none"> <li>- Identifying gaps in the needed skill base not covered by existing TVET institutions.</li> <li>- Encourage informal education to complement formal education.</li> <li>- Identify and promote investment opportunities to cluster investors.</li> <li>- Lobby for tax incentives for the private sector that invests in TVET</li> </ul>	MT	<p>P: LCDC S: NSDWG, MSMEDA TVET organizations, MOF</p>
1.1.3 Encourage the clusters' enterprises to actively engage in dual education.	<ul style="list-style-type: none"> <li>- % of enterprises opening up for dual education and internships</li> <li>- % of dual education program graduates in the taskforce of the cluster disaggregated by gender.</li> </ul>	<ul style="list-style-type: none"> <li>- Promote dual education among the clusters' enterprises.</li> <li>- Facilitate internships within enterprises.</li> <li>- Offer incentives for private sector apprenticeship programs that lead to employment and especially the employment of women.</li> </ul>	ST	<p>P: LCDC S: MSMEDA, NSDWG, FEI, MOETE</p>

<i>Result</i>	<i>Initiatives</i>
1.2. The continuous development in the specialized skill level of the cluster to match local and international	1.1.2 The continuous updating of the educational and training curricula



developments in the field.		1.1.3 Continuous dialogue and exchange with the local and international experts and training providers		
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.2.1. The continuous updating and upgrading of the educational and training curricula & training.	<ul style="list-style-type: none"> <li>- New gender sensitive curricula developed</li> <li>- No. of specialized trainers for the cluster's workforce disaggregated by gender</li> <li>- No. of specialized trainers trained/retrained on new skills and instruction methods (disaggregated by gender)</li> <li>- Decline in the shortage in specialized skills</li> </ul>	<ul style="list-style-type: none"> <li>- Regular review of the specialized skill training curricula and training techniques in light of skills surveys and international developments.</li> <li>- Designing practical training modules/ curricula as needed</li> <li>- using multimedia, videos and innovative training techniques</li> <li>- Continuously upgrading the capacity of local teachers and trainers through training including gender sensitization and refresher courses.</li> <li>- Integrating soft skills to preserve the code of ethics inside the cluster.</li> <li>- Select competent and skilled workers of the cluster to deliver the training</li> <li>- Deliver TOT to the selected workers.</li> <li>- Deliver the training as needed</li> <li>- Address the technical and financial sustainability of the training to insure the unique skill set is preserved.</li> </ul>	<u>SI</u>	P: Local skills subcommittee.  S: MSMEDA, NSDWG, TVET, MOETE, NCW
1.2.2. Continuous dialogue and exchange with the local and international experts and training providers.	<ul style="list-style-type: none"> <li>- No. of local and international events held or attended annually</li> <li>- No of exchange visits of the SSD advisory board</li> <li>- No. of TOT courses held</li> <li>- No of participants in TOT courses</li> </ul>	<ul style="list-style-type: none"> <li>- Bring in local and international experts in the field to conduct TOT and deliver seminars and workshops on developments in the field.</li> <li>- Facilitate the participation of members of the SSD board in relevant local and international fairs and conferences.</li> </ul>	<u>MT</u>	P: NSDGW S: MSMEDA, LCDC



<i>Result</i>	<i>Initiatives</i>			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.3. A decent work environment inside the cluster that attracts and retains specialized labor.	1.3.1. Creating a safe work environment in organic clusters. 1.3.2. Promote and lobby for laws that provide benefits and incentives to the private sector that invests in a safe work environment			
1.3.1. Creating a safe work environment in organic clusters.	<ul style="list-style-type: none"> <li>- Decline in work-related accidents</li> <li>- Increased satisfaction of the workforce and employers</li> <li>- Increased supply of qualified graduates seeking employment in the cluster's enterprises.</li> <li>- No. of enterprises with adequate H&amp;S certification</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning a study to assess health and safety requirements and standards, taking into considerations gender related requirements.</li> <li>• Promoting awareness about health and safety</li> <li>• Lobbying for streamlined social and health insurance requirements and costs.</li> <li>• Lobbying for a gender friendly work environment</li> <li>• Identifying reliable service providers.</li> <li>• Launching a H&amp;S certification program</li> </ul>	<u>MT</u>	P: Private sector  S: specialized skills subcommittee,  Relevant service providers,  Ministry of Labor, MISA, NCW
1.3.2. Promote and lobby for laws that provide benefits and incentives to the private sector that invests in a safe work environment	<ul style="list-style-type: none"> <li>- Number and significance of laws passed</li> </ul>	<ul style="list-style-type: none"> <li>- Connecting to the media to promote the concept</li> <li>- Connecting to parliament members to activate / pass laws that provide benefits and incentives to employers who invest in health and safety measures.</li> </ul>	<u>MT</u>	P: NSDWG S: LCDC MOETE MPs MOF MSMEDA MOIT MOH



<i>Result</i>	<i>Initiatives</i>			
1.4. A legislative environment that encourages the private sector to invest in TVET	1.4.1. Promote and lobby for laws that provide benefits and incentives to the private sector that invests in TVET			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.4.1 Promote and lobby for laws that provide benefits and incentives to the private sector that invests in TVET	<ul style="list-style-type: none"> <li>- Number and significance of laws passed</li> <li>- <i>No. of private sector entrepreneurs investing in TVET</i></li> <li>- <i>Value of private investment in TVET</i></li> </ul>	<ul style="list-style-type: none"> <li>- Train a core group inside the cluster on lobbying.</li> <li>- Connecting to the media to promote the concept</li> <li>- Connecting to parliament members to activate / pass laws that provide benefits and incentives to employers who invest in TVET.</li> </ul>	MT	P: NSDWG S: LCDC MOETE MPs MOF MSMEDA MOIT



### 1.3. ACCESS TO FINANCE

<u>OBJECTIVE 1.</u> Increased variety, outreach and penetration of demand-driven financial services that cater to the needs of clusters and enhance their competitiveness				
<i>Result</i>	<i>Initiatives</i>			
1.4. Effective mechanism in place to facilitate information exchange and access to financial services between financial services' providers and clusters.	1.4.1. Build an informative user-friendly database of financial services available to clusters 1.4.2. Build an informative user-friendly database of market information including investment opportunities at the cluster level			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.1.7. Build an informative user-friendly database <sup>5</sup> <sup>6</sup> of financial services available to clusters;	<ul style="list-style-type: none"> <li>- Buy in of financial service providers secured.</li> <li>- Database in place and operational.</li> <li>- Mechanism in place to update the database</li> </ul>	<ul style="list-style-type: none"> <li>- Solicit technical/financial assistance to develop the database in an independent and sustainable manner (including sustainable administration) through public and donor finance</li> <li>- Link the database with the websites of financial services providers</li> </ul>	<u>SI</u>	P:MSMEDA S: FSWG LCDC
1.1.8. Build an informative user-friendly database of market information including investment opportunities at the	<ul style="list-style-type: none"> <li>- Database operational and in place</li> <li>- Mechanism in place to update the database</li> <li>- Buy in of financial service providers secured.</li> </ul>	<ul style="list-style-type: none"> <li>- Develop a complete database of the enterprises inside the cluster, clarifying size, production specialization and capacity, number of employees /workforce etc.</li> <li>- Facilitate updating and availing market</li> </ul>	<u>SI</u>	P:MSMEDA S: FSWG LCDCs

<sup>5</sup> To be added as a part of the MSMEDA Clusters' Mapping being automated

<sup>6</sup> Emphasis should be given to have the database self-sustainable in the absence of donor funding



cluster level (segregated by Gender)		information on clusters and its operators, both male and female, as well as financial services providers		
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<i>Result</i>	<i>Initiatives</i>			
1.2. Organic Clusters able to package potential investment and financing opportunities (including establishing Joint Ventures among cluster members)and present/negotiate it with financial services' providers	1.2.1. Develop the capacity of cluster facilitator to explore and promote collective investment opportunities among cluster actors 1.2.2. Enhance awareness among clusters about available financial services, especially equity investments (VCs and Angel Investors) and their relevant financing criteria			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.3.3. Develop the capacity of cluster facilitators / Cluster Development Agents (CDAs) to explore and promote collective investment opportunities among cluster actors	<ul style="list-style-type: none"> <li>- Cluster Development Agents identified</li> <li>- Cluster Development Agents trained</li> <li>- No. of Business opportunities presented</li> <li>- No. of Business opportunities qualifying for funding</li> </ul>	<ul style="list-style-type: none"> <li>- Establish criteria to select and build capacity of the Cluster Development Agent (CDA) to be objective and qualified to provide services needed by the clusters within an institutional set-up</li> <li>- Promote cost-sharing facilities to assist in Business Planning preparation</li> <li>- Develop standard procedures and agenda for investment opportunities presentations and discussions.</li> </ul>	<u>ST</u>	P: MSMEDA  S: LCDC, FSWG





<p>1.3.4. Enhance awareness among clusters about available financial services, especially Equity investments (VCs and Angel Investors) and their relevant financing criteria</p>	<ul style="list-style-type: none"> <li>- Promotional Materials available at clusters</li> <li>- No. of Financial Services providers participating in awareness campaigns</li> <li>- No. of workshops held.</li> <li>- Level of awareness among private sector in clusters.</li> </ul>	<ul style="list-style-type: none"> <li>- Develop and provide access to relevant capacity development resources for NGOs and Cooperatives at the cluster level</li> <li>- Design and implement relevant awareness campaigns targeting clusters, focusing on financial services and their eligibility criteria</li> </ul>	<p><u>ST</u></p>	<p><u>P:</u> LCDC <u>S:</u> FSWG, MSMEDA</p>
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<i>Result</i>	<i>Initiatives</i>			
<p>1.4. Enhanced Financial services providers' capacity to develop cluster-specific products and services</p>	<p>1.4.1. Develop/adapt financial products to fit the needs of organic clusters.            1.4.2. Promote win-win based partnerships between NBFIs, Investors and banks to enhance outreach and penetration of financial services at the cluster level; including institutional financing for NGOs and Coop's            1.4.3. Design financial products promoting innovation at the clusters level            1.4.4. Enhance awareness among financial services providers about the needs of clusters (included under 1.1 above)</p>			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
<p>1.4.2. Develop/adapt financial products and services to fit the needs of organic clusters.</p>	<ul style="list-style-type: none"> <li>- Training and TA on Product Development delivered to Financial services providers'</li> <li>- No. of new products introduced to clusters.</li> <li>- No. of products refined to fit clusters needs.</li> <li>- Product requirements streamlined to fit clusters needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Provide technical assistance for the refinement/development of financial products that comply with safety and environmental requirements.</li> <li>- Ensure compliance with gender requirements within the framework of financial products and services developed/created.</li> <li>- Ensure compliance with CBE and EFSA requirements.</li> <li>- Promote different financial products to fit the various needs of cluster members (including</li> </ul>	<p><u>ST</u></p>	<p><u>P:</u> Financial service providers <u>S:</u> MSMEDA FSWG LCDC</p>



		leasing for equipment, working capital finance, equity finance), as well as different legal set-ups of cluster actors (companies, NGOs and Coops). -		
1.4.3. Promote win-win based partnerships between NBFIs, Investors and banks to enhance outreach and penetration of financial services at the cluster level; including institutional financing for NGOs and Coop's	<ul style="list-style-type: none"> <li>- NO. of financing opportunities awarded to Cluster members</li> <li>- No. of enhanced / new financial services developed and offered</li> <li>- No. of institutional borrowers (NGOs / Coops) accessing financial services</li> </ul>	<ul style="list-style-type: none"> <li>- Orient financial service providers to the capacities and services offered by mature MFIs and other local NBFIs.</li> <li>- Broker partnerships between financial service providers and local NBFIs to enhance the outreach and variety of financial services available to organic clusters.</li> </ul>	<u>ST</u>	<u>P:</u> MSMEDA, FSWG  <u>S:</u> EFSA CBE Financial service providers
1.4.4. Design financial products promoting innovation at the clusters level <u>(included in the STI Log frame)</u>	<u>(included in the STI Log frame)</u>			
1.4.5. Enhance awareness among financial services providers about the needs of clusters <u>(included under 1.1 above)</u>	<u>(included under 1.1 above)</u>			



<i>Result</i>	<i>Initiatives</i>			
1.5. Incentive mechanisms in place to invest in, and provide financial services for clusters (especially for start-up projects)	1.5.1. Provide tax incentives for private equity investments in start-up enterprises within clusters (activity covered under 1.6)	1.5.2. Include clusters as a specific beneficial from GOE/CBE initiatives (e.g. preferential borrowing rate of 5%)	1.5.3. Promote incentives for individual or joint acquisition of machinery and Equipment through leasing services (especially for renewable sources of energy and environmental compliance, and promote innovations)	1.5.4. Facilitate private VC and Business Angels investors' exit from cluster investees (including legal and valuation services)
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.4.1 Provide tax incentives for private equity investments in start-up enterprises within clusters (activity covered under 1.6)	<u>(activity covered under 1.6)</u>			
1.4.2. Include clusters as a specific beneficiary of GOE/CBE initiatives (e.g. preferential borrowing rate of 5%)	<ul style="list-style-type: none"> <li>- CBE recognition of Clusters as eligible for funding under its initiatives for preferential interest rates</li> <li>- No. of financing agreements in clusters drawn under the CBE initiative</li> <li>- No. of Non-financial/Advisory services available to clusters (e.g. Legal Advise)</li> </ul>	<ul style="list-style-type: none"> <li>- Involve banks in recognizing and developing a specific market niche for clusters to benefit from all privileges extended by GOE and the CBE</li> <li>- Create linkages between clusters and required technical services (valuation, legal advice) with preferential fee arrangements</li> </ul>	<u>ST</u>	<u>P</u> :MSMEDA <u>S</u> : FSWG LCDC



1.4.3. Promote incentives for individual or joint acquisition of machinery and equipment through leasing services (especially for renewable sources of energy and environmental compliance, and promote innovations)	<ul style="list-style-type: none"> <li>- No. of lease/lease-sale contracts drawn for acquiring machinery and technology</li> </ul>	<ul style="list-style-type: none"> <li>- Promote special leasing contracts at cluster level to acquire equipment, technology, and access to renewable sources of energy.</li> <li>- Allow leasing companies to utilize the CBE's 5% initiative in servicing organic clusters and MSMEs.</li> </ul>	<u>ST</u>	<u>P</u> :MSMEDA <u>S</u> : FSWG, LCDC, Leasing Companies , CBE
1.4.4. Facilitate private VC and Business Angels investors' exit from cluster investees (including legal and valuation services)	<ul style="list-style-type: none"> <li>- No. of SMEs experiencing Investors' exits</li> <li>- No. of SMEs listed in stock market</li> </ul>	<ul style="list-style-type: none"> <li>- Promote and avail ad-hoc services to assist investors in SMEs to exit from their investments</li> </ul>	<u>MT</u>	<u>P</u> :MSMEDA <u>S</u> : FSWG LCDC VC firms Business Angels

<i>Result</i>	<i>Initiatives</i>			
1.5. Effective Insurance and Credit Guarantee services in place to entice financial services' providers to finance clusters	1.5.1. Develop sector/cluster specific insurance and guarantee services benefiting financial services providers at the enterprise level (e.g. weather insurance and PPE insurance) 1.5.2. Assist financial services providers (leasing companies) in dispensing assets/machinery recovered from clusters in default cases 1.5.3. Provide contract negotiation and legal assistance to cluster actors to qualify (sales and export) contracts, as well as letters of credit and relevant export/import documents to be recognized as a collateral for financing (especially for export-oriented clusters)			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.5.1. Develop sector/cluster specific insurance and guarantee	<ul style="list-style-type: none"> <li>- No. of cost sharing agreements developed with Financial services</li> </ul>	<ul style="list-style-type: none"> <li>- Provide cost-sharing arrangements with financial services providers to undertake</li> </ul>	<u>ST</u>	<u>P</u> :MSMEDA <u>S</u> : FSWG



services benefiting financial services providers at the enterprise level (e.g. weather insurance and PPE insurance)	providers - No. of enhanced / new insurance products developed	market studies and enhance/develop new guarantee products - Develop action plan to provide technical assistance to credit guarantee services providers as appropriate		LCDC Insurance firms Credit Guarantee schemes
1.5.2. Assist financial services providers (leasing companies) in dispensing assets/machinery recovered from clusters in default cases	- No. of agreements created with secondary market actors to dispense machinery	- Explore linkages with secondary markets for recovered equipment	<u>ST</u>	P:MSMEDA S: FSWG LCDC Leasing Companies
1.5.3. Provide contract negotiation and legal assistance to cluster actors to qualify (sales and export) contracts, as well as letters of credit and relevant export/import documents to be recognized as a collateral for financing (especially for export-oriented clusters)	- No. of financing agreements created with collaterals in the shape of future contracts and relevant export/import documents	- Facilitate negotiations with banks to recognize collateral documents for financing export-oriented SMEs	<u>ST</u>	P:MSMEDA S: FSWG LCDC

<i>Result</i>	<i>Initiatives</i>
1.6. Cluster members and Financial services' providers are able to collectively advocate for required legislative and	1.6.1. Establish a "Financial Services Working Group" (FSWG) composed of financial service providers and private sector representatives that is committed to be part of the governance structure at the national level, and in which both genders are represented 1.6.2. Create a mechanism to evaluate, record and communicate required changes in laws, policies and regulations related to



procedural changes	access to finance, within the framework of the nation-wide cluster			
	1.6.3. Advocate for incentives (discussed above) to financial services providers, as well as providing tax preferential treatments to clusters			
<i>Initiatives</i>	<i>Targets &amp; Key Performance Indicators (KPIs)</i>	<i>Suggested Activities</i>	<i>Time Frame for Initiative</i>	<i>Responsible Party (Primary / Secondary)</i>
1.6.1. Establish a "Financial Services Working Group - FSWG" composed of financial service providers and private sector representatives that is representative and committed; to be part of the governance structure at the national level	- FSWG established	- Develop a clear mandate for the proposed "Financial Services Providers' Forum - FSPS" - Establish Technical Secretariat for the FSPS	<u>ST</u>	P:MSMEDA, FSWG
1.6.2. Create a mechanism to evaluate, record and communicate required changes in laws, policies and regulations related to access to finance, within the framework of the nation-wide cluster	- No. of Laws / Regulations reviewed - No. of revisions / changes advocated	- Promote for providing financial incentives (tax holidays) to financial services providers related to their expenditures on product development and/or market studies	<u>ST</u>	P:MSMEDA, FSWG LCDC
1.6.3. Advocate for incentives (discussed above) to financial services providers, as well as providing tax preferential treatments to priority clusters	- Tax holidays for FSPs developed and approved by authorities - Financial incentives for FSPs developed and approved by authorities -	- Advocate and implement tax holidays and financial incentives for FSPs	<u>MT</u>	P:MSMEDA, FSWG LCDC MOF MPs