

Policy Brief 22

Establishing an Institutional Framework for the Handicrafts Clusters in Egypt:

Prepared by:

Dina Elkhishin
Mariam Walid
Noheir Khairy
Nada Kassem

Under the supervision of:

Dr. Sherwat Elwan

June 2021

Executive Summary

The Egyptian handicrafts sector, which employs more than a million Egyptians, and which contributes to local economic growth and to the export market, has a lot of potential but faces numerous challenges. Aware of the potential of the sector, the Egyptian government is currently focusing on the development of handicrafts, mostly organized as clusters. Nevertheless, artisans face numerous challenges, some of which are 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 is the lack of clarity on the roles and mandates of the various stakeholders working in the sector.

To address this challenge, this policy memo recommends three different layers of multi-stakeholder cooperation. At the national level, a ministerial handicrafts clusters steering committee is to be established and led by the Prime Minister.

Its administrative arm, the technical secretariat would be led by the Micro-, Small and Medium Enterprise Development Agency (**MSMEDA**). Also led by the **MSMEDA** is the operational arm of the national committee, and the executive committee, which would include members from the public and private sectors at the central level. At the local level, local handicrafts clusters platforms (**HCPS**) would be established and led by the governors in each governorate. These dialogue platforms would ensure coordination between the relevant stakeholders at the decentral level.

Background and Problem Statement



Most of the efforts undertaken by the Egyptian governments or the international community to support the handicrafts sector are scattered. Although there are several programs on 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 to a same geographical location. The

government should have an essential role in the development of such clusters to ensure their efficient operation (Chapain, 2010). 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. **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 and 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.

Stakeholders Analysis

The handicrafts sector is a diverse field which involves several key players. These stakeholders represent the public and private sectors, donor and development organizations as well as Non-Governmental Organizations (NGOs) both at the central and the decentralized levels.

The stakeholder analysis revealed the most significant players in the handicrafts sector in the government and private sectors at the centralized and decentralized level, among which are

the **MSMEDA**, the Ministry of Local Development (**MOLD**), 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 the coherence of their activities, that promotes cluster development, capitalizes on local know-how, and establishes local economic growth opportunities.

Policy Recommendation

As previously discussed, the most significant/urgent 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 be politically feasible and to be effective insofar as it provides artisans with local economic growth opportunities and to enhance their access to resources, markets, know-how, among other things. 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.



The recommended institutional framework is depicted in Figure 1. At the national level, a national handicrafts clusters steering committee headed by the Prime Minister should be established. While the ministerial committee takes strategic decisions, its technical secretariat led by MSMEDA is mandated with the creation of an agenda, progress reports and monitoring and

evaluation plans for the activities of the steering 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, headed by MSMEDA. However, it would include the numerous stakeholders working on the development of the handicrafts clusters at the national level.

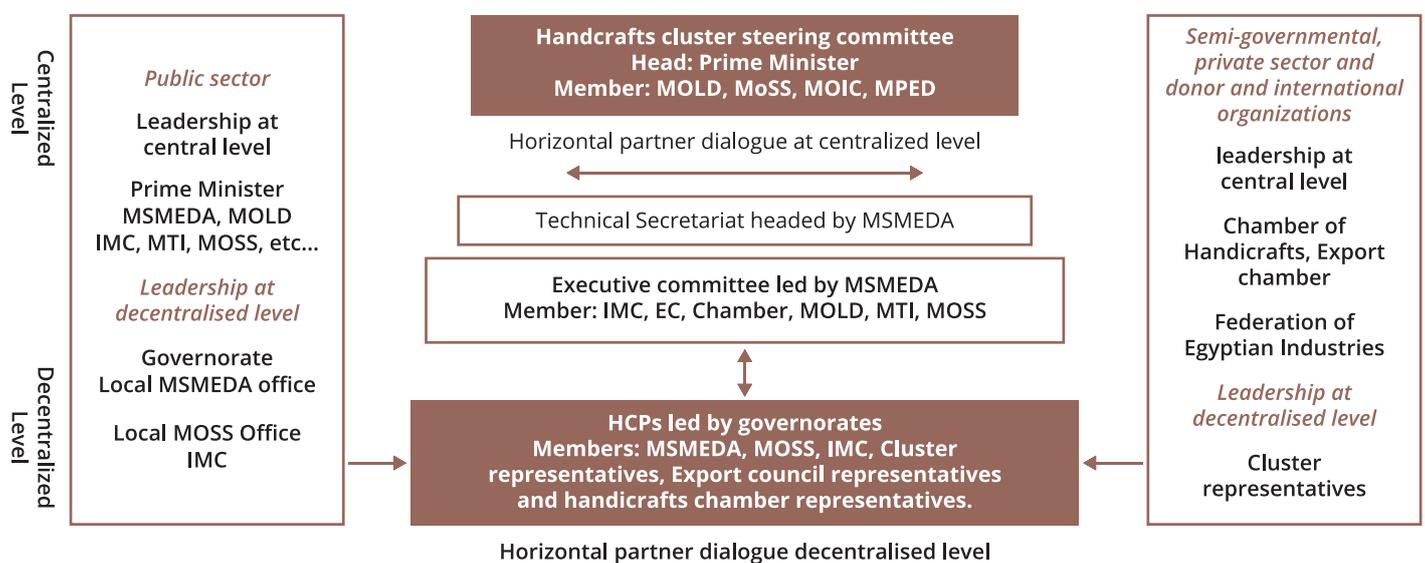


Figure 1: A model for the Institutionalization of the Handicrafts clusters in Egypt

Policy Recommendation

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. At the local level, it is essential to formulate and implement cluster-specific plans. For this reason, the proposed model is complemented by **HCPs**. These would represent the local dialogue platforms. The members of these **HCPs** include **MOLD** employees and representatives from the local **MSMEDA**, **MoSS** and **IMC** offices from the public sector, the representatives of the chambers working on handicrafts as well as the investors' associations and cluster representatives. This way, the model ensures coordination across all levels while focusing on region-specific needs and issues.

Roadmap to Implementation

To implement the recommended policy alternative, the implementation framework focuses on coordinating different efforts by relevant stakeholders and institutionalizing these efforts in the form of three different levels of committees, depicted in Figure 2.

- 1. National Level:** At the national level, a “Ministerial Handicrafts Clusters Committee” would be established to steer policies and direct strategies towards the benefit of the sector. This ministerial committee is to be led by the Prime Minister.
- 2. Central Level:** At the central level, a “Handicrafts Clusters Executive Committee” would be mandated to work on strategies and action plans for the policies and directions set by the National Steering Committee. Additionally, the committee shall ensure the proper division of responsibilities among different stakeholders.
- 3. Local level:** At the local level, “Local Handicrafts Clusters Platforms (HCPs)” would be established. Since governorates are the bodies that oversee clusters' resources, infrastructure and have the geographical vicinity, they will be responsible for leading the HCPs. The HCPs should act as the implementors of action plans and should facilitate the implementation of projects set on the central level.

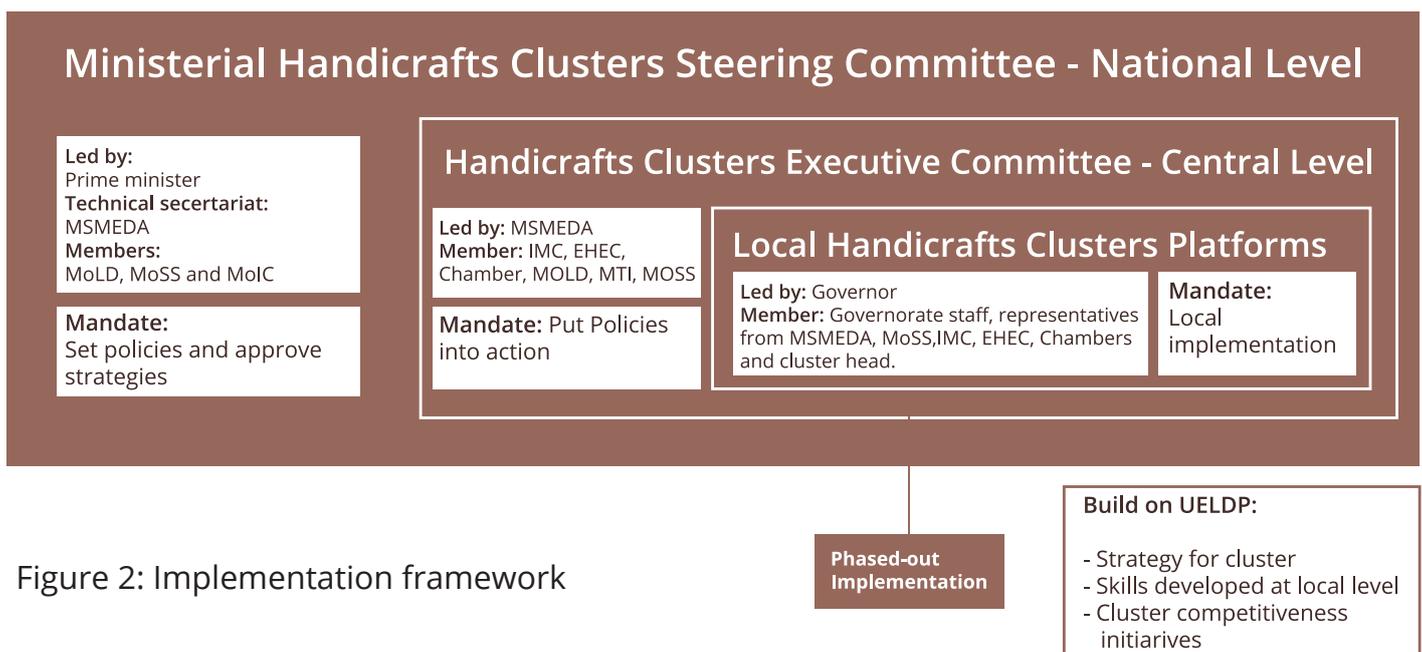


Figure 2: Implementation framework

«All the academic references used in this brief are mentioned in the policy paper.»

This brief is published by: The Public Policy Hub - GAPP School (AUC)

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

Follow us on: [f](#) PublicPolicyHUB [i](#) PolicyHub [y](#) Public Policy Hub [in](#) The Public Policy HUB - AUC GAPP

Establishing an Institutional Framework for the Handicrafts Clusters in Egypt