Egypt's Packaging Sector Development Strategy (PSDS)

Prepared by: Development Options Limited (DOL)

Dated: 21st October 2004

Packaging's Dual Roles

Any packaging sector performs two roles within a national economy:

- Supporting other consumer product manufacturing sectors to present their products to consumers, domestically and internationally, in packaging that meets market requirements and statutory regulations.

- Achieving a positive trade balance in packaging, through maximising the exports of packaging products in their own right.

One of the most fundamental conclusions of this study is that Egypt's Packaging Sector should be viewed as an industry in its own right, with strong potential to export packaging products, independent of consumer products within the packaging. Developing the sector's dual role is a key feature of the Packaging Sector Development Strategy (PSDS).

Global Packaging

The global packaging sector has annual value of $ 417 bn in 2002, with Egypt's Packaging Sector representing 0.3% of the global sector at $ 1.3 bn of sales.

The consumption of packaging materials in Egypt is 10 – 12 kgs per capita, compared to 22 kgs per capita in Saudi Arabia and 90 – 160 kgs per capita in Europe and North America.

Relocation of packaging production capacity to lower cost manufacturing countries, in pursuit of the consumer product manufacturers that have already relocated.

Increasing sophistication of packaging applied to consumer products, for example ready-to-heat-meals, has resulted in packaging representing a higher proportion of final product value.

Low growth in packaging sales in the developed consumer markets; between 1999 and 2001; 1.2% in Western Europe and 0.8% in North America; compared to growth of 23.8% in Eastern Europe, which was the world's fastest growing packaging market over this period.

The world's 10 largest packaging manufacturers account for 13.7% of the world market, with the annual turnover of each of these companies being three times the annual size of Egypt's domestic packaging market. Most of these international companies having manufacturing facilities in Europe and North America, with recent expansions into Eastern Europe and China. They are under-represented in the MENA region, representing a FDI opportunity.

Packaging Materials

Board packaging still represents the most significant packaging material with global sales of $ 122 bn (29.2%); followed by rigid and semi-rigid plastics at $ 80 bn (19.2%); films, foils and flexibles at $ 60 mn (14.4%); metal containers at $ 40 mn (9.6%); glass containers at $ 25 bn (6.0%); sacks, bags and labels at $ 24 bn (5.8%); caps and closures at $ 14 bn (3.6%); with other types of packaging representing $ 58 bn (13.9%).

Plastic packaging, in particular flexibles, are growing fast in developed consumer markets at the expense of glass and metal packaging which are in the declining phase of their product life-cycles. Although glass and metal packaging are on the decline in developed consumer markets, these packaging materials have still to reach their peak in developing consumer markets, where their qualities can more closely meet supply chain and customer requirements.

The life-cycles of different packaging materials, in different markets have determined the extent of consolidation in global packaging sub-sectors. The level of consolidation of manufacturing capacity ownership is: high throughout world glass and metal packaging sub-sector; high in board and rigid plastics in developed consumer markets, but low in these product areas in developing consumer markets; with most countries still having relatively low levels of consolidation in flexible packaging. Developing consumer economies continue to have fragmented board and plastic production as the need for integrated packaging supplies is yet to take-off.

Countries with developing domestic consumer markets and objectives to increase packaging exports, need to recognise the higher level of sophistication of packaging and quality standards in developed consumer countries if they are planning to sell packaging products into these markets.

"Twin Peaks" Market Development Potential

The combination of the stage of development of Egypt's domestic and neighbouring consumer markets and its proximity to the world's largest developed consumer market, the EU, results in it having "twin peaks" market development potential to export its packaging products. Within the domestic and regional market there is still strong growth potential for glass and metal packaging, where this is in decline in developed consumer markets. This provides a FDI opportunity to attract international manufacturers as they open-up new manufacturing facilities to meet the requirements of the emerging market. With the European market Egypt's packaging manufacturers have the opportunity to sell increasingly sophisticated board and plastics packaging, separately, or as integrated packaging.

International Supply Chains And Customer Relationships

The customers of the world's largest packaging manufacturers are the world's largest processed food manufacturers, such as; Heinz, Kraft Foods, Nestlé and Unilever. The same applies in the Pharmaceutical Sector. International packaging manufacturers have multi-site manufacturing facilities, in proximity to their leading customers. There are also strong working relationships between; the packaging manufacturers, their material input suppliers and the consumer product manufacturers to develop new packaging materials, packaging products and packaging application systems. It is difficult for manufacturers of packaging products, based in developing countries, to break into such supply chains and established customer relationships. This can only be achieved by the manufacturer building-up confidence in the consistency of their product quality.

When selling into international supply chains that are directed at developed consumer markets, packaging manufacturers must be internationally competitive to be treated as equals by the other elements in the supply chain and the customers of the chain. This represents a significant challenge for packaging manufacturers based in developing countries where product quality requirements and regulations are less stringent.

Regional Export Performance

The leading regional exporters of packaging products in 2002 were: Turkey, over $ 300 mn, and Saudi Arabia, over $ 100 mn . Egypt is in 11th place for regional exports of packaging with sales of $ 5.2 mn in 2002, behind countries such as: Israel $ 106.4 mn; South Africa $ 63.5 mn; Iran $ 18.6 mn; UAE $ 16.4 mn; Jordan $ 9.4 mn; Morocco $ 8.0 mn; Bahrain $ 7.9 mn; and Kuwait $ 5.8 mn.

Sector Vision

The vision for Egypt's Packaging Sector is to achieve 3rd place in regional export performance within five years, which will require export sales over $ 100 mn based on 2002 values; and to take away the lead position from Turkey within ten years, which will export sales of over $ 300 mn, again at 2002 values.

Egypt's Current Sector Positioning

Exports represent only 0.4% of the value of Egypt's domestic packaging market. Up to now the sector has been domestically-oriented and has operating only under the role of supporting other consumer product manufacturers. The most significant issue for Egypt's Packaging Sector is how it breaks-out of its historic domestic orientation, which has resulted in its performance stagnating. Under the traditional view of the sector's role within the domestic economy, any improvement in sector performance will be dependent on increased performance within Egypt's consumer product manufacturers. As these are also domestically-oriented, the whole demand – supply relationship is dependent on the performance of the domestic economy.

The new government has stressed the need for export-led growth, with this review demonstrating the extent to which the sector is currently dependent on domestic sales. The PSDS needs to be realistic about the extent of the changes that need to be applied within Egypt's Packaging Sector to achieve export-led growth.

International Development Drivers

Global review activity was used to identify the International Development Drivers (IDDs) that determine the rate of growth of any national packaging sector. They are split into IDDs that relate to the role of the sector to support other sectors, and those that result in

1st Role – Supporting Other Sectors	
IDD1	Strong domestic or export demand for consumer products produced domestically
IDD2	Domestic sources of packaging raw and input materials of required quality and at competitive prices
2nd Role – Industrial Sector In Its Own Right	
IDD3a	Strong export performance of packaging as a product
IDD3b	Ownership of packaging manufacturing facilities in developed consumer markets (only South Africa)
IDD4	Selling packaging in international markets using imported input materials

the sector being able to operate as an industry in its own right, see para 2.1.

Results Of IDD Comparison

The Steering Committee selected four countries as comparators to Egypt with; Saudi Arabia and Turkey selected as strong regional competitors; South Africa as leading regional country; and UK representing international best practice.

In the following table, the stronger the activation of the IDDs, represented by a green colour, the better will be the performance of the sector; the weaker the activation, represented by a red colour, the lower will be the performance, to the extent that very weak activations may hold-back the realisation of development potential.

International Development Drivers		**UK**	**South Africa**	**Saudi Arabia**	**Turkey**	**Egypt**
1st Role – Supporting Other Sectors						
IDD1	Strong domestic or export demand for consumer products produced domestically					
IDD2	Domestic sources of packaging raw and input materials of required quality and at competitive prices			Plastics		
2nd Role – Industrial Sector In Its Own Right						
IDD3a	Strong export performance of packaging as a product					
IDD3b	Ownership of packaging manufacturing facilities in developed consumer markets (only South Africa)			Chemicals / Plastics	N/a	N/a
IDD4	Selling packaging in international markets using imported input materials					

Egypt has weak activations against all of the IDDs, whereas each of the comparator countries, apart from South Africa, have strong activations against all of the IDDs. In the case of South Africa the weak activation against IDD1 is offset by strong activations against the other IDDs.

Reasons For Weak Activations

The reasons for the weak activations of the IDDs within Egypt's Packaging Sector are summarised in the table overleaf. Historically, the most significant weaknesses have been those affecting IDD1 and IDD2, as these relate to the traditional role of the sector to support other sectors of the economy. The weaknesses affecting IDD3a have not been an issue up to now as the sector was not expected to perform an exporting role. The adoption of the PSDS will change this situation and these weaknesses will now become more significant to overcome.

International Development Drivers	**Reasons For Weak Activations**	**Egypt**

1st Role – Supporting Other Sectors			
IDD1	Strong domestic or export demand for consumer products produced domestically	• Slow growth in domestic sales • Slow growth in export sales • Weak pull and push effects	
IDD2	Domestic sources of packaging raw and input materials of required quality and at competitive prices	Board Packaging: • No domestic source virgin fibre • Lack of spare production capacity • Tariffs on imported kraftliner • Some poor quality waste recycled Plastic Packaging: • High domestic input prices • Tariffs on imported base plastics • Supply chain inefficiencies Glass Packaging: • Quality problems some producers • Production capacity shortages Metal Packaging: • Quality problems some producers • Production capacity shortages	
2nd Role – Industrial Sector In Its Own Right			
IDD3a	Strong export performance of packaging as a product	11th position in regional exporting performance. Lack of exporting experience amongst manufacturers. Some production exported as does not meet domestic quality requirements.	
IDD3b	Ownership of packaging manufacturing facilities in developed consumer markets	N/a	N/a
IDD4	Selling packaging in international markets using imported input materials	Currently non-existent activation	

Packaging Sector Development Strategy

The key roles of the Packaging Sector Development Strategy are to:

- First turn the weak (red) activations of the IDDs into positive (green) activations to start the process of stimulating improved sector performance.

- Second to strengthen the positive (green) activations of the IDDs to accelerate the rate of improved sector performance and for the sector to make contributions to higher levels of national economic growth.

The description of the PSDS is split into two phases; Phase 1 which concentrates on strengthening the activation of IDD2, supported by IDD1; and Phase 2 which involves generating strong pull and push effects on the domestic packaging sector, by activating first IDD3a, and later IDD4.

In the main body of the report, describing the content of the two phases, is followed by a description of four stages of implementing the PSDS with timeframes applied to each stage. Describing the content of the four stages is too detailed for an executive summary which has been restricted to summarising the content of the two phases.

Phase 1

Phase 1 is structured by the four main product areas that were selected by the Steering Committee, as IDD2 relates to raw and input materials.

Phase 1 – 1st Element There will be two elements to Phase 1. The first element will be used to activate IDD1. The delivery of the development activities against IDD1 should be equally across the product areas.

Board	Plastics	Glass	Metal (Tin Can)	Egypt Now
Effective application of existing packaging legislation, in particular in relation to fresh and processed food, and pharmaceuticals. Development of new national standards to be applied to Egypt's packaging products.				

Phase 1 – 2nd Element The second element, and main element under Phase 1, will be directed at activating IDD2, where the expected level of activation will be stronger than under IDD1. Under this element the development activities to be delivered will be different under each product area.

Board	Plastics	Glass	Metal (Tin Can)	Egypt Now
• Virgin fibre study • Remove import tariffs • Improve waste collection • Privatisation 4 companies • Avoid independent actions • Integrated Solutions	• Product up-grading programme • Mnc technical support • Inputs at international prices • Consolidation • Polystyrene into PET • PET recycling	• Implement up-grading projects and extra capacity • Implement new investment project • Attract FDI	• New capacity • Metal workshops • Tops and closures	

Phase 2

As with Phase 1 there will be two elements to Phase 2.

Phase 2 – 1st Element The first element of Phase 2 will be directed at activating IDD3a. It is structured using four initiatives that form the basis of achieving a significant improvement in exporting performance:

- Develop the role of Egypt's Packaging Sector as an industry in its own right.

- Establish packaging groups that are first integrated between paper and board and carton / corrugated manufacturers, with a second stage of integration into board and plastic manufacturers.

- Implement the "Twin Peaks" market development strategy, see 2.4.

- Stimulate pull and push effects on IDD1.

The development activities that will be implemented under each of the four initiatives are:

Industrial Sector In Its Own Right	**Integrated Board And Plastics Groups**	**"Twin Peaks" Market Development Strategy**	**Pull And Push Effects On IDD1**	**Egypt Now**
• Export led growth • Product innovation	• Investment in new virgin and recycled paper and board, and carton / corrugated manufacturing facilities. • Integrated board packaging companies • Integrated board and plastic packaging manufacturers.	Implemented through 3 Market Development Programmes (MDPs): 1 Board and plastic packaging into Europe. 1 Glass and metal packaging into regional market. 2 All packaging types into Gulf States.	• Exporting packaging starts based on existing production capacities. • Pull effects – board packaging meeting international standards. • Product Development and Technology Service – new product development. • Multi-site manufacturing to support fresh produce exports. • Integrated packaging solutions to meet requirements of international customers	

Phase 2 – 2nd Element The development activities that will be directed at activating IDD4 are:

	• Become tier 1 suppliers into international packaging supply chains. • Out-sourcing FDI – relocating part / whole of existing supply chains to manufacture in Egypt. • FDI into Egypt for domestic and regional markets.	

Development Activities

It is the implementation of development activities that will achieve the stronger activation of the IDDs and the improvement in sector performance. The presentation of the development activities in the tables under Phases 1 and 2 represent only a summary of the more detailed recommendations provided in section 5, and under the four stages of implementation in section 6.

It would be extremely difficult to co-ordinate and control implementation if each of the development activities is progressed independently. It is our view that it will be essential to have an easily understood structure for the development activities. This is to be achieved in two steps. The first step involved collecting together the individual development activities under five headings:

1. Remove constraints on development.

2. Strategic development projects.

3. Assessment of development opportunities.

4. FDI and international strategic alliances.

5. Business and market development programmes.

Under the second step the five development activity areas are grouped together under a single Development Activities Package (DAP).

Ability Of Companies To React

The implementation of most of the development activities involve removing obstacles to achieving improved exporting performance and creating a business environment that is conducive to entrepreneurial actions. It is crucial for the design of the PSDS that a realistic assessment is made of the ability of companies to respond to removing the obstacles and reacting to the improved business environment. The company review activity of the overall sector methodology was used to address this issue and to reach conclusions on the need to business development programmes to support companies to achieve their full potential for export sales. The need for market development programmes has already been indicated under Phase 2, 1st element to activate IDD3a.

Company Review Results

The results of detailed reviews of 27 packaging manufacturing companies, across four product areas, are provided in the following table, without indicating the identity of the companies. A low product capability score (pcs) indicates poor product capability, whereas a high score indicates good product capability. Only companies that achieve a pcs of "9" are already internationally competitive and could start to enter international supply chains, and the European market under Market Development Programme 1.

Packaging Product Area	**No. Companies**	**Product Capability Scores By Company**						
		A	**B**	**C**	**D**	**E**	**F**	**Average**
Board Packaging:								
• Paper / board inputs	5	3	6	6	7	9		6.2
• Carton / corrugated board packaging	6	1	2	5	9	9	9	5.8
Plastics Packaging:								
• Film manufacture and printing	3	4	5	5				4.7
• Containers	4	5	5	6	7			5.8
• Film printing	3	5	8	8				7.0
Glass Packaging	4	7	7	8	9			7.8
Metal (Tin Can) Packaging	2	7	9					8.0
Total	**27**							**6.2**

In the overall board packaging product area, the pcs's of paper / board manufacturers range from 3 to 9, and 1 to 9 in carton / corrugated board packaging.

Carton / corrugated board packaging has three companies achieving a pcs of 9, which is the only product area with more than one company that is internationally competitive.

In plastics packaging there is less spread of pcs's, but they are concentrated in the middle scores of 4 to 8, with no company scoring 9.

In glass and metal packaging there is more consistency of higher scores, but under each product area only one company achieves a pcs 9.

Based on the 27 manufacturers covered by the company review there are 6 companies that are internationally competitive: 1 in paper and board; 3 in carton / corrugated board manufacturing; 1 glass manufacturer; and 1 metal packaging manufacturer.

Although three carton / corrugated board manufacturers are scored as being internationally competitive, and each have existing exporting experience, all of them accept they do not have sufficient international market exposure and require market development support if they are to significantly increase their exporting performance.

Export Readiness And Performance

Although a pcs of 9 indicates an ability to compete in international markets, the availability of production capacity to meet export orders needs to be taken into account, alongwith existing export experience.

Packaging Product Area	No. Of 9 Scores	Production Capacity Availability	Spare Production Capacity As % Of Current Production	Comments On Exporting Experience
Board Packaging:				
Paper / board inputs	1	26,000	15.6	All supply domestic market
Carton / corrugated board packaging	3	32,000	24.0	Three "9's" existing exporters
Plastic Packaging:				
Film manufacture and printing	-	9,850	29.4	All 3 companies are exporting ranging from 5 to 60%
Containers	-	5,300	51.0	Half exporting at 10 – 20%.
Film printing	-	1,050	13.0	2 out of 3 exporting at 10% each
Glass Packaging	1	10,500 (manufacturers with product quality issues)	6.1	The two manufacturers with the lowest scores export 5 and 20% of their production, but this is due to the quality being too low for the domestic market. The 9 score is operating to full capacity.
Metal (Tin Can) Packaging	1	-	-	The 9 score already exports 25% of production, but is operating to full capacity for domestic demand.
Total	**6**	**84,700**		

Key conclusions are:

- The most significant levels of spare production capacity are in plastics, but none of the manufacturers have a pcs of 9.

- The company with a pcs of 9 in glass packaging is operating at full capacity to meet domestic demand.

- The business scoring 9 in metal (tin can) packaging is already exporting 25% of production, but is operating at full capacity.

- The only product area where there is the combination of a number of companies with pcs's of 9 scores; spare production capacity; and export experience is carton / corrugated board packaging.

The starting-point for achieving a strategic increase in packaging export sales will have to be from the carton / corrugated board packaging product area. Although the three businesses that achieve 9 scores have some exporting experience, they have each agreed that they require to receive business development support, if they are to be successful in substantially increasing sales into leading consumer product markets and international supply chains.

Benchmarking

An additional output of the company review activity was to benchmark Egypt's packaging manufacturers against manufacturers in other countries. The requirement for this further assessment is to check that the approach to applying pcs's of "9" does indicate companies that are internationally competitive. The approach that was applied concentrated on the product area where Egypt has greatest short-term potential to increase packaging exports; carton / corrugated board packaging. The best of Egypt's carton / corrugated board manufacturers has been benchmarked against the best producers in Saudi Arabia, South Africa, Turkey and UK. The results are:

	UK	South Africa	Turkey	Saudi Arabia	Egypt	Comments On Comparison
Product capability score	10	10	9	9	9	Same as regional competitors.
Production capacity utilisation	100	100	100	100	100	Same result as other 4 countries
Productivity tonnes/employee	400	300	90	90	150	Egypt better than regional competitors
Average age machines years	10	10	15	5	15	Equal oldest m/cs, but not causing a problem with productivity
Waste rate	10%	10%	15%	10%	9%	Best rate of any of the competitors

The above results are positive as the best of Egypt's carton / corrugated board manufacturers is: equal with the best in all five countries on production capacity utilisation; equal with the best regional competition on product capability score; equal with the best in Turkey on average age of machinery. Most encouragingly, though, Egypt's best manufacturer is better than the regional competition in productivity per employee; and has the best result of all five on its waste rate. This indicates that there is real potential for Egypt's best carton / corrugated board manufacturers to compete with, and beat. the international competition.

The benchmarking demonstrates that the pcs system does identify companies that are internationally competitive. It is recommended that the approach to benchmarking, applying product capability scores and company performance indicators, should be carried forward into the implementation of the PSDS.

In the context of the positive result that the three carton / corrugated board manufacturers can be confidently accepted to be already internationally competitive, there are three crucial points that need to be taken into account:

- As already indicated all three carton / corrugated board manufacturers have indicated that they lack exporting experience, in particular, into developed consumer markets, as in Europe. They have requested business and market development assistance to open-up new markets and to increase export sales.

- Any company that is categorised as being internationally competitive needs to implement a continuous improvement programme to keep-up with their competitors. The three carton / corrugated board manufacturers require assistance in designing and implementing internal continuous improvement programmes.

- It was indicated above, under the "Global Packaging" heading, that all of the world's top ten packaging companies have turnovers that are three times the size of Egypt's total Packaging Sector. Even though the three carton / corrugated board manufacturers are internationally competitive, they lack scale and market presence to fully capitalise on this positive outcome. Within the PSDS each of these companies will have a crucial role to play in acting as the catalysts to establish large integrated packaging groups. This process will also require support to ensure any mergers, acquisitions, strategic alliances are implemented effectively and are properly funded.

A key conclusion is that even the companies that are categorised as being already internationally competitive require substantial business development support if they are to achieve their full export sales potential.

Business Development Programmes

There are two key conclusions from the company review results for the design and implementation of Business Development Programmes:

- Only a few packaging companies are already internationally competitive, with the majority requiring fundamental up-grading if they are to get close to achieving this classification.

- At least half of the companies that achieved the required pcs score of "9" have structural issues with production capacities, or production process, that need to be overcome before they can start to fulfil their exporting potential.

- The small number of companies that are already internationally competitive require their own Business Development Programme, as already described.

It can therefore be concluded that all of Egypt's packaging companies will require to participate in a Business Development Programme if they are to become successful exporters, or to support the development of domestic consumer products in other industrial sectors.

In addition to the three Market Development Programmes, two Business Development Programmes are required:

- Internationalisation Business Development Programme (IBDP) for packaging companies that are already internationally competitive. Delivery of this programme should include overcoming internal structural issues within the participating companies.

- Domestic Capabilities Business Development Programme (DCBDP) for all other packaging companies to achieve improvements in their product capability score and at the same time to introduce them to export markets at a rate that is in pace with their pcs improvements.

Development Activities Package (DAP)

Five development activity areas are recommended to be implemented through a single Development Activities Package (DAP):

1. ***Remove Constraints On Development***, such as: the complete removal of import tariffs on kraftliner and plastic inputs for packaging that will be exported; and reduce plastic input prices to international levels.

2. ***Strategic Development Projects –*** six project areas:

    - Address structural issues affecting the domestic supply of raw and input materials, in particular progress the area of sourcing and processing virgin fibre.

    - Product Development And Technology Service (PDTS) to support technical up-grading, new product development and the application of new technology.

    - Domestic packaging manufacturers to promote new packaging products to domestic consumer product manufacturers.

    - Privatisation and modernisation of 4 public enterprises.

    - Communicating the content of the PSDS throughout Egypt's Packaging Sector.

    - Reviewing and monitoring the delivery of the PSDS.

3. ***Assessment Of Development Opportunities –*** assessment of a range of development opportunities identified through the review activity and continue to identify new opportunities. Examples of opportunities that have already been identified are: aluminium foil, in particular for use in pharmaceutical packaging; aseptic packaging, which is currently all imported; andconvert existing manufacturers of polystyrene packaging to work with PET.

4. ***FDI And International Strategic Alliances*** This development activity should be

progressed in close co-operation with the Ministry of Investment (MoI). FDI is proposed to be the lead activity to increase production capacities in glass and metal (tin can) packaging and to overcome current product quality issues.

5. Market And Business Development Programmes Have already been described above, see 2.16.

Implementation Mechanism

The key features of the implementation mechanism are:

- Board Of PSDS to oversee the implementation, review and up-dating of the PSDS. The Board should comprise a majority of representatives from the private packaging companies, including appointing the Chairperson, with public sector representatives from key Ministries, such as Ministry Of Foreign Trade and Industry (MoFTI), and MoI.

- Packaging Sector Performance Agreement between the Board of PSDS and GoE, with MoFTI in the lead role for the government, on agreeing the target annual improvements in sector performance that will be delivered in exchange for funding to implement the content of the PSDS.

- Packaging Sector Development Activities Mechanism (PSDAM) which will act as the PSDS Board's executive to implement the content of the DAP.

- PSDAM Executive Team to include: CEO; manager(s) of the two Business Development Programmes; marketing specialist to deliver the three Market Development Programmes; sector specialists to manage the PDTS; market research and promotion to support FDI initiatives; business analysis capability to assess the development opportunities; and sector researchers to continue the global and domestic review activity.

- Sub-committees to guide the day-to-day implementation of each of the five development activity areas within the DAP.

- Actions Plans have been prepared for the setting-up and operation of the overall PSDS structure and to deliver each of the development activity areas.

Fresh Horticultural Produce

The Steering Committee requested the study should cover Egypt's Fresh Horticulture Produce Sector as it: is a significant customer for Egypt's Packaging Sector; demonstrates the challenges in meeting EU regulations; and it is a sector that can increase its export performance in the short to medium-term. IDDs are identified on the same basis as for the packaging sector. The review activity concluded that Egypt has weak activations across all of the IDDs which are holding-back achieving improved export performance. A preliminary Fresh Horticultural Produce Sector Development Strategy (FHPSDS) is presented. The structural issue relating to no domestic sourcing of virgin fibre to be processed into material inputs for Egypt's board packaging manufacturers was identified from this area of review activity as it has key strategic implications for supporting the growth of exporting fresh horticultural produce into Europe.

Improving Sector Performance

One of the elements of the implementation mechanism is the Packaging Sector Performance Agreement. The table below provides preliminary proposals for the types, and levels, of improvement in sector performance that could be offered by the PSDS Board to GoE, in exchange for a funding package. The performance indicators have been prepared up to the end of the fifth year of delivery to coincide with the Sector Visions see 2.6.

Annual Performance Indicator	Improvement
1. Direct Trade In Packaging Products – IDD3a:	
• Increased exports	EGP 600 mn
• Reduced Imports	EGP 50 mn
Total Direct Trade Improvement	EGP 650 mn
2. Indirect Added-Value Trade - Push Effect IDD1:	
• Fresh Horticultural Produce – 30% value – increased exports EGP 1 bn	EGP 300 mn
• Processed Foods – 20% value – increased exports EGP 250 mn	EGP 50 mn
• Pharmaceuticals – 20% value – increased exports EGP 100 mn	EGP 20 mn
Total Indirect Added-Value Trade	EGP 370 mn
Total Direct Trade and Indirect Added-Value Trade	EGP 1,020 mn
3. New Job Creation - minimum	1,000 jobs
4. New Investment:	
• FDI	EGP 600 mn
• Strategic partner (could be in-kind value)	EGP 100 mn
• Indigenous	EGP 100 mn
Total	EGP 700 mn