

# PREFERENCE FOR DOMESTIC PRODUCTS

## **RESPONSIBLE ENTITIES:**

- » The Prime Minister
- » The Ministry of Finance
- » The Ministry of Trade and Industry



| CHALLENGE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | RECOMMENDATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | STATUS/NOTES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| <p>Law No. 5 of 2015, which prescribes preferential treatment for domestic products in government contracting, is not fully enforced by many government agencies, as well as economic bodies and public sector companies. Thus, its effects remain unfelt.</p>                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Issue directives to all ministries and agencies obligating them to enforce the law, and at the same time, develop compliance monitoring mechanisms to ensure its enforcement. Efforts should be made to link the future needs of national projects with local industries to replace imports.</p> <p>Refer violations for prosecution; more so, the Minister of Trade and Industry should delegate authority to the Technical Secretariat of the Local Product Preference Committee, which is constituted via a ministerial decree, in accordance with the provisions of the law, and is located at FEI.</p> <p>Revisit the domestic preference percentage (currently 15%) prescribed in Law No. 5 of 2015. The law should be binding on all ministries, government agencies, national projects, and all government contractors from the private sector.</p> | <p>In October 2018, the President ratified Law No. 182 of 2018 that regulates the contracts and agreements that are concluded by the public authorities in Egypt.</p> <p><b><i>The following are highlights of the new law:</i></b></p> <ul style="list-style-type: none"> <li>- It includes a number of provisions of Law No.5 of 2015.</li> <li>- It obligates all governmental entities and public sector companies to post all their public procurement opportunities, in detail, on the Public Contracts Portal; upon completion of the procurement process, the final decision, with specified details, should also be posted on the portal.</li> <li>- It obligates all parties to use the standard tender document, which is currently being developed and will be posted on the Public Contracts Portal. In the event that an entity decides not to use the standard document, it must provide an explanation as to why it chose not to comply with the requirement. This requirement will significantly reduce noncompliance with the preferential treatment for domestic products requirement. The requirement was being circumvented by including in the tender documents language that discriminated against domestic products and eventually resulted in their exclusion from the procurement process.</li> </ul> |
| <p>It was agreed with IDA's former leaders to establish a comprehensive electronic system through which local product preference certifications would be issued to those interested in participating in government tendering processes; certification holders are to be accorded priority if their bids do not exceed the lowest foreign bid by more than 15%. Additionally, interested companies would also use the system to obtain the local component certificate required for receiving the export subsidy that the government offers as an incentive, based on meeting agreed upon terms and conditions. To date, this agreement has not been implemented.</p> | <p>IDA, FEI, and Fawry should enter into a tripartite agreement with the objective of completing the component of the system that would allow businesses to obtain the service immediately upon paying the associated cost, either through the website or through the collection points located across Egypt; this way, each party gets to fulfill its end of the agreement once the payment is made. This is also in line with the Ministry of Finance's directives regarding the adoption of electronic payment procedures to facilitate the provision of services and encourage the private sector to move towards a cashless society.</p> <p>Ensure that the database uploaded on the site is backed up on the FEI's servers to ensure data preservation; regularly update the system and adopt robust data security measures.</p>                         | <p>IDA has completed its share of work, including setting the procedures regarding the electronic system and contracting with the entity that will be hosting the server (due to technical issues, it was not possible to use IDA's existing system). When fully implemented, electronic payments will be made through the nation-wide collection points used by e-finance (an Egyptian Fintech company); businesses to obtain the service immediately upon paying the associated cost, either through the website or through the collection points located across Egypt; this way, each party gets to fulfill its end of the agreement once the payment is made. This is also in line with the Ministry of Finance's directives regarding the adoption of electronic payment procedures to facilitate the provision of services and encourage the private sector to move towards a cashless society.</p>                                                                                                                                                                                                                                                                                                                                                                                                                       |