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EGYPT

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FY 2009 FOREIGN ASSISTANCE GOALS

U.S. foreign assistance to Egypt is a major tool supporting the bilateral strategic partnership. Egypt plays a central role in promoting peace and regional stability, countering extremism and terrorism, and creating an environment in which economic reform can advance. In FY 2009, foreign assistance continued to facilitate the United States-Egyptian strategic relationship through programs that move the country toward middle-income status, in which the private sector and government are capable of sustained progress. As the programs transition into FY 2010, President Obama's historic speech at Cairo University in June 2009 has set the groundwork for economic assistance programs that will respond to his call that "education and innovation will be the currency of the 21st century."

HIGHLIGHTS BY PROGRAM OBJECTIVE

Peace and Security

Security assistance to Egypt, in place since the Camp David Accords, is the cornerstone of the United States-Egyptian strategic partnership. United States Government (USG) assistance has enabled Egypt to modernize and upgrade its defense systems with equipment originating from the United States, and thereby maintain a credible deterrent defense force while simultaneously strengthening its strategic partnership with the United States. A strong defense force is critical to ensure Egypt's continued role as a regional leader and to enable the country to act as a moderating influence and contribute actively to the resolution of regional conflicts. This assistance allows Egypt to procure, sustain, and upgrade U.S.-origin defense systems and represents a significant percent of Egypt's overall defense budget. Training and other activities helped the Government of Egypt (GOE) improve the operational and tactical capabilities necessary to confront terrorist threats. In FY 2009, USG assistance:

- Built military professionalism, equipped officers tactically for regional missions such as peacekeeping, and provided them with opportunities to acquire the critical analytical skills needed to strengthen military institutions.

- Trained Egyptian security forces with a focus on techniques to combat terrorism in Egypt and conducted an Antiterrorism Capabilities Assessment to determine additional training needs and areas of improvement.

Governing Justly and Democratically

During the past year, the USG and the GOE have worked together to promote increased access to justice and legal services, respect for human rights, participatory and decentralized local governance, professional media, and civic participation. The USG also partnered directly with local and international civil society organizations to work in these areas. The challenges in each of these areas are significant. The judiciary continues to suffer from inefficiency and a lack of independence. Egypt's poor lack adequate access to justice, and effective protections for human rights is limited. The GOE is highly centralized, with little budget and administrative authority provided at the regional or local levels, although this changed somewhat with policies adopted in August 2009. Civil society organizations face operational challenges related to weak institutional capacity, organizational rivalry, and a legal framework that can be arbitrarily applied. The media is constrained in its ability to serve as an independent and objective information source as a result of government intervention and weak professional standards. Although the context for democracy and governance programming is challenging, USG programs were able to achieve results. In FY 2009, USG assistance:

- Increased access to justice through modernization of civil courts. Improvements were made to operations in 13 courts and mediation centers by increasing transparency and improved public services.
- Improved criminal justice and human rights by working together with GOE counterparts in the Prosecutor General's Office (PGO) to implement Law 145, expanding rights to legal counsel. The PGO adopted the USG-sponsored Right to Counsel Handbook as an official PGO document to be distributed nationally, establishing best practices for all Egyptian prosecutors.
- Supported implementation of amendments to the Egyptian Child Law by training judges, prosecutors, and social workers to implement the new child and human rights-centered system for children in conflict with the law.
- Trained community health workers, managers, and professionals working in shelters for battered women and representatives of non-governmental organizations (NGOs) in identifying and helping women victims and survivors of violence. USG assistance also supported NGOs seeking to raise awareness and improve services for female survivors of violence.
- Assisted in the creation and implementation of a new decentralization strategy. With USG assistance, the GOE drafted a national decentralization strategy and implementation plan. USG provided technical assistance to the Ministry of Local Development and the Ministry of Finance in drafting amendments to enable the decentralization process to move ahead.
- Improved access to professional media through professional and technical training of 1,051 journalists to address the challenges of using new technology. More than 20 private and public media organizations were also trained to improve business and managerial practices and encourage use of market research. Egypt's score in the International Research &

Exchanges Board Media Sustainability Index improved, showing increased sources of news and information, including more blogs and better internet access, as well as diversification of media business revenues— all key components of USG assistance.

Investing in People

Health

The USG has a long history of support for improving health and family planning in Egypt. Strong GOE support for this sector has led to some remarkable results over recent years. Contraceptive prevalence is 60 percent, infant and child mortality rates have been reduced by 26 percent and 31 percent respectively, maternal mortality during or after pregnancy has decreased 16 percent, polio has been eradicated, and there is a 92 percent immunization against major diseases. However, challenges remain in improving public knowledge and awareness of health issues and building the capacity in the Ministry of Health and health service providers to ensure sustainability of USG programs. In FY 2009, USG assistance:

- Renovated and equipped 19 clinics in 5 governorates. USG assistance also facilitated democratic elections of management boards of another 75 clinics, ensuring accountability to community needs. USG assistance provided clinical training for 1,117 service providers in family planning and reproductive health, and 1,183 service providers received training in maternal and child health.
- Provided training to 18,583 service providers in family planning and reproductive health issues. Another 13,791 were trained in maternal and newborn topics, including advanced neonatal care, neonatal resuscitation, and midwifery.
- Created sustainability committees in nine governorates to help ensure the continuation of results once USAID assistance is completed.
- Provided technical assistance to the Ministry of Health in the implementation of a new law mandating premarital health examinations, including training service providers and developing communications materials to prepare couples for a healthy family life.
- Developed and implemented crosscutting communications programs to reinforce healthy behaviors, which were disseminated on the radio, television, and through community seminars. A total of 15,129 women, 840 adolescents (males and females), and 61 youth facilitators were trained on family planning and reproductive health topics. Another 1,273 men were trained via trainings for religious leaders, agricultural extension workers, and board members. A mass media campaign on viral hepatitis included television commercials reaching over 60 percent of the adult television viewing audience. This was reinforced by a university campaign covering nine universities and reaching over 45,000 students. Implementation of the GOE infection control program was expanded to healthcare units nationwide.
- Trained medical professionals in 1,702 primary healthcare units on infection control practices and hygiene. This training was expanded to reach 21 hospitals giving comprehensive technical and administrative training.
- Expanded community-based nutrition programs to new governorates and reached 10,913 children. Nutritional messages and information reached 21,354 caregivers, and 375 women

leaders were trained in maternal and newborn health and nutrition. Only 2 years ago, nearly 32 percent of children under age 2 in the targeted areas were underweight; in FY 2009, less than 5 percent were underweight.

- Reached underserved rural areas with water and sanitation services, and completed the construction of four water and sanitation service facilities. The USG provided technical assistance to support legal and regulatory reform and to provide capacity building to two newly established water and wastewater companies to select projects and award contracts for engineering services for 16 new projects in the two poorest and least-served governorates in the country.
- In Central Sinai, initial steps were taken for the installation of water treatment plants, including performing water quality analyses and identifying sites for water treatment facilities.

Education

An educated population forms the foundation for sustaining economic growth, promoting participation in democracy, and promoting peace and security in Egypt. As outlined in President Obama's speech in Cairo, the USG recognizes that the long-term impact of its assistance depends upon Egypt's ability to nurture a human capital base that can excel in a world economy that rewards competition, knowledge creation, innovation, and adaptability. Despite strong progress being made in terms of universal access to primary education, many children still lack access to "good quality" education, as measured by equity, learning outcomes, and relevance of skills to the needs of the marketplace. In addition, evidence suggests that the gap between urban and rural areas in the country is widening and that inequality of opportunity persists. USG support in FY 2009 has focused on working with the GOE to address these key challenges and to realize President Obama's global engagement initiative. In the areas of basic and higher education in FY 2009, USG assistance:

- Supported systemic education policy reforms in the areas of improving teacher quality and professional development opportunities, improved the efficiency of textbook production, and addressed the imbalance between teaching and non-teaching personnel in the Egyptian education system.
- Improved education system efficiency through support for GOE decentralization efforts. The USG provided assistance to the Ministry of Education that, for the first time, ensured that local schools retained 85 percent of school fees collected, giving local schools direct control over money and decision making to address their own immediate needs.
- Mobilized support for girls' education in 86 communities in 4 focus governorates to promote consideration of gender issues in education and planning. Through community education teams, USG assistance identified out-of-school girls and encouraged them to enroll and attend school. These teams also developed support plans and determined the need for multi-grade schools for girls ages 9 to 14.
- Supported the development of emerging Egyptian leaders through scholarships for undergraduate studies. USG assistance provided funding for 55 students from across Egypt to pursue an undergraduate degree at a U.S.-accredited institute of higher education in Egypt (to date 284 students have participated in this program). The first 18 participants finished their undergraduate studies. They are better equipped to become leaders in Egypt as a result.

- Supported key policy reforms and restructuring of the Ministry of State and Scientific Research. Key to this support was the establishment of the Science and Technology Development Fund to improve market responsiveness of Egyptian science and technology training.
- Awarded another four scholarships under the Science and Technology program for Master's degree students to study in the United States. The USG also awarded 19 collaborative research grants.
- Worked with institutions of higher education to improve the teaching of law, economics, and business administration. USG assistance supported universities to provide graduate training to over 150 students enrolled in an English language Master's of Commercial Law degree program. USG assistance also supported MBA programs at Cairo and Alexandria Universities in curriculum development to advance professional education in business administration and economics.

Economic Growth

Strong results were achieved towards the USG's key goal in economic growth in Egypt, improving policies for trade and investment. Improvements in the business-enabling environment during the past year led the World Bank to name Egypt as a "top reformer" in its report, *Doing Business 2010*. Egypt's economy has been resilient in the wake of the global financial crisis, with real GDP growth remaining over four percent this year, down from an average of seven percent in the past three years. Although the policy environment has improved in recent years, additional reforms are needed. After achieving top reformer status in each of the past four years, Egypt still ranks in the bottom half (106th) in the *Doing Business* rankings of 181 countries. Additionally, while economic growth rates have thus far withstood the global recession and growth has been elevated in recent years, there are concerns of sustainability of growth and increasing inequality, as over 40 percent of the population live on less than two dollars a day. To address these important issues, USG assistance in FY 2009:

- Supported the Ministry of Finance to improve tax policy and tax administration through reorganizing the Egyptian Tax Authority (ETA). USG assistance to the ETA also included training programs and on-the-job training for 214 personnel on technical issues and management techniques. USG assistance also supported development of a new tax regime for small and micro businesses that brings informal businesses into the formal economy.
- Streamlined customs procedures to expand trade and reduce prices for Egyptian consumers. USG assistance also helped reduce the clearance time of imported goods and institute other institutional and regulatory reforms. The USG assisted in drafting several important laws, including the Customs Law and amendments to the Competition Law. In total, with USG assistance, the GOE took 1,417 legal, regulatory, and institutional actions to improve international trade and investment in FY 2009.
- Enhanced the policy and regulatory environment in the area of microfinance. USG support completed work to establish legal recognition of microfinance companies, a new class of non-bank financial institution that will have legal authority to conduct commercial micro-lending. This new legal status for microfinance institutions is expected to increase competition and improve the sustainability of the sector by attracting new private investment.

- Supported the merger of the Mortgage Finance Authority, the Egyptian Insurance Supervisory Authority, and the Capital Market Authority into a single non-bank financial supervisory agency, the Egyptian Financial Supervisory Authority (EFSA).
- Streamlined property registration procedures with the Ministry of Justice. The new nationwide procedures reduced the average registration time from 193 to 72 days. USG assistance to EFSA and the Ministry of Justice helped in increasing the volume of mortgage loans from zero in 2004 to 10,662 by the end of FY 2009.
- Improved the business climate by streamlining business-licensing procedures through the creation of a Smart Services Business Center (SSBC). The SSBC in Alexandria reduced licensing requirements and improved public knowledge and understanding of license procedures. SSBC now issues building licenses within 3 weeks of receipt of application, down from 52 weeks previously. In FY 2009, the SSBC processed around 1,000 licenses, resulting in over two million Egyptian Pounds (LE) in income.
- Leveraged support from the private sector to increase yield for tomato smallholders from 15 to 28 tons per feddan (1.058 acres). USG provided technical assistance to 260 tomato farmers with 1,275 feddans leading to an improvement of the average income to LE 13,400 (\$2,436) per feddan.
- Improved productivity and efficiency of water resources and improved water quality in the East Nile Delta region by establishing 45 water management districts and eight directorates to better meet growing water need for commercial and agricultural use.
- Enhanced management capacity of local populations in the Sinai to sustain their natural resources. USG assistance provided nine buses to establish public transportation to service students, teachers, and the general community in Central Sinai.