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EGYPTIAN GENERAL AUTHORITY
FOR INVESTMENT AND FREE ZONES

PRIVATE SECTOR FEASIBILITY STUDIES
U.S. A.I.D. PROJECT NO. 263-0112

FINAL CONSULTANT'S REPORT

SUBMITTED BY

CHASE TRADE ADVISORY GROUP
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15 FEBRUARY 1983

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A full report on the Project's Promotion Program appears in a separate volume.

Summary of Conclusions and Recommendations

The U.S. A.I.D. financed Private Sector Feasibility Studies Project has successfully ended its start-up phase in which Chase Trade Information Corporation helped the Investment Authority in four ways:

- Establish procedures for incentive programs for prospective U.S. investors
- Survey industrial sectors for potential investment opportunities
- Help promote those programs and opportunities to U.S. companies
- Train Authority personnel to carry on the Project's work.

CTIC worked on the assignment from February 10, 1981 to December 31, 1982. All the major steps in the original scope of work were accomplished very close to the original schedule, including

- The production and distribution of ten sectoral surveys
- A promotion campaign which reached 4500 U.S. companies
- A set of procedures and promotional brochure to administer the Reimbursement Programs
- Completion of a training program by seven Investment Authority Counterparts.

The ultimate results of the Project, of course, must be measured in terms of U.S. investment in Egypt. U.S. companies have responded with great interest to the Sectoral Surveys. Many have submitted applications for the Reimbursement Programs, and new applications continue to come in. The first of the Reconnaissance Visits and Feasibility Studies were approved in the Summer of 1982. Therefore, it is not yet possible to assess either the workability of the procedures established nor the effectiveness of the Programs as investment promotion tools.

Despite some delays, the Project is now firmly launched. In order to improve the prospects for the Project's ultimate success, we recommend

- Active support from the Authority's top management for the promotional goals of the Project.
- Close monitoring and support of U.S. companies' activities under the Reimbursement Programs.
- Continued active promotion of the Project with U.S. companies, including publicity for any Project successes.
- In-depth internships for Authority Project personnel with participating U.S. companies.
- Intensive English-language training for selected Project personnel.
- Periodic updating of Sectoral Surveys.

Project Overview and Chronology

On February 10, 1981, the Chase World Advisory Group of Chase Trade Information Corporation commenced work in Cairo as consultants to the Egyptian General Authority for Investment and Free Zones on the Private Sector Feasibility Studies Project, which is being financed by U.S. A.I.D.

The objective of the Private Sector Feasibility Studies Project is to attract U.S. companies to investigate seriously potential investment opportunities in Egypt. In particular, the Project aims to finance Investment Reconnaissance Visits to Egypt by 20 U.S. companies and Pre-Investment Feasibility Studies on projects in Egypt by 20 U.S. companies. CTIC's assignment was to help in the start-up of the Project, and included four components:

Conduct Sectoral Surveys of ten segments of Egyptian industry to identify project investment opportunities and to establish sufficient data for U.S. companies to assess their potential.

Develop Operating Procedures for the Reimbursement Programs funded by the Project which provide grants to U.S. companies to defray all or part of the cost of making investment Reconnaissance Visits to Egypt, or doing pre-investment Feasibility Studies on specific projects.

Promote the Project to U.S. companies to assure that the appropriate decision makers in all the companies with a possible serious interest in investing in Egypt are exposed to the Sectoral Survey findings and to the availability of the Reimbursement Program funds.

Train Authority Personnel in the conduct of Sectoral Surveys and in the promotion and support of potential U.S. investors in Egypt.

Overall direction for the Project was provided by Mr. Samir Fahmy, V.P. of Chase Trade Information Corporation, who was also heavily involved in the negotiation of policy issues with the Investment Authority and USAID/Cairo. Day-to-day management of the various Project components

was supervised by Mr. Frank A. Ocwieja, V.P., CTIC. The project Office in Cairo was managed by Mr. Geoffrey Scott, V.P., CTIC. He was assisted by Mr. Charles Megronigle, of Singmaster and Breyer, Inc., with regard to technical subjects. CTIC associated itself with three other respected consulting organizations in carrying out the work of the Project:

K. W. Tunnell & Co., Inc.
King of Prussia, PA
Mr. Len Hones, Project Manager

Singmaster & Breyer, Inc.
New York, NY
Mr. John Pedersen, Project Manager

Hawaiian Agronomics Co. (International)
Honolulu, HI
Mr. Brian Sunada, Project Manager

In addition, CTIC was fortunate to have the assistance of a number of distinguished Egyptian advisors in conducting many of the Sectoral Surveys. These included Eng. Salah Farid, Eng. Ismail Yassin, Dr. Adel Gazarin, Dr. R.A. Gomaa, Dr. M.A. El Said and Dr. Shafic Metri.

Exhibit 1

PRIVATE SECTOR FEASIBILITY STUDIES
U.S. A.I.D. PROJECT NUMBER 263-0112
Project Chronology

| <u>1981</u> | <u>Admin.</u> | <u>Sectoral Surveys</u> | <u>Reimb. Programs/Promotion</u> | <u>Technology Transfer</u> |
|-----------------|---|--|--|---|
| <u>February</u> | -Resident Project Mgr. arrives in Cairo | -Consultations begin in Cairo on selection of sectors | | |
| <u>March</u> | -Project's Cairo office opened -Contract signed retroactive to 2/10 -Organizational meetings with Authority and USAID/Cairo -N.Y. Administrative Assistant hired | -Authority selects first three survey sectors -Survey teams for Food Processing and Packaging and Pharmaceuticals and Health Care begin work in Cairo | -Interviews in U.S. and Cairo re procedures | -Request submitted for first 4 counterparts |
| <u>April</u> | -Cairo office staff hired -Contract ratified by USAID/Cairo -Agreements signed with sub-contractors -Egyptian Pound advance received from Authority | | | -First two counterparts begin assignments |
| <u>May</u> | -Resident Technical Coordinator arrives in Cairo -U.S. Dollar advance received from USAID | -Survey Team for Construction Materials, Components and Systems arrives in Cairo -List of remaining proposed sectors submitted for approval | -Draft Policy and Procedures Manual submitted to Authority -Contacts begin with U.S. based organizations interested in promotion of Project | -Two more counterparts begin assignments |
| <u>June</u> | -Authority designates a Project Director | -List of 10 Proposed sectors approved -Survey Team for Non-Electrical Machinery arrives in Cairo | -Seminar on opportunities in Egypt for U.S. health and personal care companies held in N.Y. | -Project's Training Specialist visits Cairo |

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PRIVATE SECTOR FEASIBILITY STUDIES
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Project Chronology

| <u>1981</u> | <u>Admin.</u> | <u>Sectoral Surveys</u> | <u>Reimb. Programs/Promotion</u> | <u>Technology Transfer</u> |
|------------------|---------------|--|--|---|
| <u>July</u> | | | -Promotion Program Plan submitted to Authority, including text of Promotion Brochure | |
| <u>August</u> | | | | -Technology transfer plan submitted to Authority |
| <u>September</u> | | -First draft of Food Crops Survey submitted for review -Survey work begins in Cairo on Chemical Industries sector | -Presentation to Egyptian-American Chamber of Commerce Conference on business opportunities in Egypt | |
| <u>October</u> | | | -Promotion Brochure printed -Initial mailings to companies potentially interested in surveys on Food Crops | |
| <u>November</u> | | -Construction Materials Survey draft submitted to Authority -Survey Team begins work in Cairo on Integrated Agribusiness sector | -Presentation to Egypt-U.S. Business Council Meeting in Cairo -Press release draft and distribution list submitted to Authority -Initial mailing for survey on Construction Materials, Components, and Systems -Policy and Procedures Manual approved | -Authority assigns four new counterparts to Project -Draft on-the-job training manuals submitted |
| <u>December</u> | | -Survey team begins work in Cairo on Automotive Components, Parts, and Accessories sector -Draft of Meat, Poultry and Fish Production and Processing Survey submitted | -Press release issued -First eighteen U.S. companies receive application forms for Reimbursement Programs | |

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Project Chronology

| <u>1982</u> | <u>Admin.</u> | <u>Sectoral Surveys</u> | <u>Reimb. Program/Promotion</u> | <u>Technology Transfer</u> |
|-----------------|--|---|--|---|
| <u>January</u> | -Revised Project Budget submitted | -Non-Electrical Machinery draft survey submitted | -Initial mailings sent to potential interested U.S. companies in Meat, Poultry, and Fish, Non-Electrical Machinery and Health Care Products sectors -General information mailing to industry associations and Cairo Banks -First six U.S. companies submit Reimbursement Program applications to Authority | -On-the-job training manuals approved |
| <u>February</u> | -USAID approval received on last of three subcontracts | - <u>Food Crops</u> survey printed and distributed | -Initial mailing on Non-Electrical Machinery sector -Draft copies of sector surveys given to OPIC to support their Egyptian Telemission in April | -Training Specialist conducts 3-week program in Cairo |
| <u>March</u> | | - <u>Meat, Poultry and Fish Production and Processing</u> survey printed and distributed | -Initial mailing on Automotive sector | |
| <u>April</u> | -Revised Project Budget approved by USAID and contract termination date extended | -Survey team arrives in Cairo for Maintenance and Repair Facilities and Services sector -Survey on <u>Construction Materials, Components and Systems</u> printed and distributed | -Seminar on investment opportunities in the Egyptian food sector held in New York -Project coordination meeting between Egypt's N.Y. Investment Bureau, its Washington Commercial Bureau, and CTIC re promotion | |

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Project Chronology

| <u>1982</u> | <u>Admin.</u> | <u>Sectoral Surveys</u> | <u>Reimb. Program/Promotion</u> | <u>Technology Transfer</u> |
|------------------|--|---|--|--|
| <u>May</u> | | -Work begins in Cairo on Electrical and Electronics Equipment survey -Integrated Agribusiness draft survey submitted for approval | -Seminars on investment opportunities in the Egyptian food sector held in Chicago and San Francisco -Additional seminars postponed pending action by Authority on backlog of Reimbursement Program applications | -Internship Program for Counterparts proposed -Final report on Technology Transfer Program submitted to Authority |
| <u>June</u> | -Resident Technical Coordinator returns to U.S. | -Survey on <u>Non-Electrical Machinery Industry in Egypt</u> printed and distributed | | |
| <u>July</u> | | -Survey on <u>Pharmaceuticals and Health Care Products Industry in Egypt</u> printed and distributed -Draft Automotive and Chemicals sector surveys submitted for approval | -First six Reimbursement Program applications approved by Authority | |
| <u>August</u> | -Contract amendment covering Internship Program approved | | -Initial mailing sent for Chemical Industry, and Integrated Agribusiness surveys | |
| <u>September</u> | -Resident Project Manager returns to U.S. and Cairo Project office closes -Final contract amendment submitted | | | -Seven counterparts and two Authority officials arrive in U.S. for five-week Internship Program visit |
| <u>October</u> | | -Sector Surveys on <u>Integrated Agribusiness and Automotive Components, Parts and Accessories</u> printed and distributed | -Six more Reimbursement Program applications approved by Authority | |

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PRIVATE SECTOR FEASIBILITY STUDIES
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Project Chronology

| <u>1982</u> | <u>Admin.</u> | <u>Sectoral Surveys</u> | <u>Reimb. Program/Promotion</u> | <u>Technology Transfer</u> |
|-----------------|--|---|--|----------------------------|
| <u>November</u> | -Contract extension to end of 1982 requested | - <u>Chemicals Industry</u> survey printed and distributed | -Initial mailing sent for Electrical and Electronics Equipment Survey -Presentation on sector surveys to Executive Committee meeting of Egypt-U.S. Business Council in San Francisco -Seminar on Automotive Parts Manufacturing Opportunities in Egypt held in Chicago | |
| <u>December</u> | | - <u>Survey on Electrical and Electronics Industry in Egypt</u> printed and distributed -Draft survey on Maintenance and Repair sector submitted | -Initial mailings sent for Maintenance and Repair industry | |

The key consultants responsible for major Project components are listed in Appendix 1.

Project Director for the Investment Authority was Mr. Ismail Roushdy during the first half of the work. He was succeeded by Mr. Ismail Kamel. General Administrative matters were the responsibility of Mr. Tewfiq Donia. Special attention to Project needs was also often readily given by Mme. Heba Melawani.

On December 31, 1982 CTIC officially completed its work on the project. The tenth and last sector survey is being printed in February, 1983, and an audit of the project's books was expected to be conducted early in 1983. A chronology of the major events in the project's life is presented below (Exhibit 1).

Project Highlights and Problem Areas

1. Administration

- In general, only minor variances from the budget were necessary to complete the original scope of work. Four amendments were requested, which covered the additional costs caused by delays in securing agreement on Project issues as well as the cost of a visit to the U.S. for the counterparts which was added on to the original scope of work. A table summarizing the budgeted and actual U.S. dollar expenses (as of 31 December, 1982) is presented in Appendix 2. Variances from the line item allocations in the original budget reflected increased professional time devoted to the Project and reduced travel expenses. These were caused primarily by the curtailment of promotional activities by CTIC during 1982, and greater than anticipated delays on certain Project matters including:

a) ratification by USAID of contract and subcontracts

b) assignment of a Project Director and counterparts by the Authority

c) approval of sector selections for the Surveys and of the Surveys texts before printing

d) approval of the text of a promotional brochure.

A final revision to the budget to reflect extension of the contract to the end of 1982 is still under discussion.

- The Authority's General Administration Sector was very cooperative and as helpful as possible to the Project's Cairo staff.

2. Sectoral Surveys

- The Project component which required the most professional effort was the research and production of the ten sectoral surveys. Sector definitions evolved during the project as the field research and report drafting progressed. The final ten survey reports were as follows:

1. The Processing and Distribution of Egyptian Food Crops.
2. The Production and Processing of Egyptian Livestock, Poultry and Fish Products.
3. Construction Materials, Components and Systems.
4. The Non-Electrical Machinery Industry in Egypt.
5. Pharmaceutical and Health Care Products in Egypt.

6. Integrated Agribusiness in Egypt.
 7. The Automotive Parts, Components, and Accessories Industry in Egypt.
 8. The Chemical Industry in Egypt.
 9. The Electronic and Electrical Industries in Egypt.
 10. Maintenance and Repair Facilities and Services in Egypt.
- The Survey research teams uncovered a large measure of enthusiasm in Egypt for increased U.S. investor activity, particularly in the private sector and among public sector companies. They were ready with a broad array of project opportunities, which were featured in the Surveys. Appendix 3 summarizes the project profiles which appeared in the ten survey reports.

- In the U.S., the high level of interest in the Surveys among prospective investors confirmed the view that the lack of such information has been a major obstacle to U.S. investor interest in Egypt.

- The Investment Authority itself has little of the data on hand upon which Sectoral Surveys, much less feasibility studies, could be based. Many of the counterparts, because of their Project work, have the capability to perform such research in the future. However, expert guidance and supervision would be required.

- Other official sources of data in Egypt were usually very willing to offer what assistance they could in an interview. In most cases, however, they could provide very little in the way of reliable, useful, or up-to-date statistics, reports, or descriptive information. The major exception was GOFI, which refused to share data on public sector industrial activities. Such information had to be collected from the public company managers themselves. The latter, fortunately, were universally cooperative and

authoritative. Another disappointment was the near total uselessness of statistical data available from the Central Agency for Public Mobilization and Statistics (CAPMAS).

3. Promotion

- Although CTIC's work on the Project has ended, the Project's Reimbursement Programs have only just begun. As of December 31, 1982, we are cognizant of 3 Reconnaissance Visits and 9 Feasibility Studies planned or underway for which cost reimbursement by the Project has been approved by the Authority. A list of the approved visits and studies is found in Appendix 4.

- The number of approved Reimbursement Programs is behind the original Project schedule, which called for 20 Reconnaissance Visits and 20 Feasibility Studies to be underway by September, 1982. The slow start-up can be attributed to the following:
 - a) Lack of enthusiasm at the Authority's senior level and consequent slowness in arriving at an approved Procedures Manual and Promotional Brochure.

 - b) Long delays in acknowledging as well as reviewing and deciding on applications

submitted for reimbursement funds

c) Because of b), Project promotion activities by CTIC had to be interrupted in May, 1982, in order to avoid creating further frustration among potential U.S. investors.

- Nevertheless, the response of U.S. companies to the Project was quite good. In total, 4500 companies were contacted with regard either to the Project in general, or to specific Sectoral Surveys. Survey reports were sent to 365 company executives in response to their specific requests. To our knowledge, 70 companies have requested applications for Reimbursement Programs and 36 have submitted applications. A full report on the Promotion Program and a list of all companies contacted is attached to this report. This listing is one of the most valuable products of the Consultant's work on the Project; however, it will lose its value very soon as the contact names become outdated.

- Aside from the direct mail campaign, other techniques were used to promote the Project.

- a) A series of three seminars on Egypt's food sector paid for by the Project, and Chase-sponsored seminars on the Health Care Industry and on Manufacturing Opportunities in the Automotive Industry were held. These were attended by select groups (generally 10-15 companies) which had already received information on the relevant Egyptian sector. The seminars proved very helpful in convincing participants of the genuine desire of Egyptian authorities to attract more foreign investors, particularly because of the high level participation by representatives of the Egyptian Embassy, Investment Bureau, and/or public sector industry. More seminars were planned; however, the schedule was suspended in May 1982, as explained above.
- b) A large number of consulting firms responded to the early publicity given to the Project with requests for copies of all the Surveys and lists of all the

U.S. companies which had indicated an interest in the Project. CTIC decided to require each consultant to divulge the name(s) of the potential investor(s) on whose behalf the consultant was working before providing any Surveys. Such a strategy paid off by identifying the serious consultants right away. Through them, another channel to contact U.S. investors was developed which was often very effective because of the energies of the consultant involved.

- c) The visit to the U.S. by the Authority's counterparts and Project Director was designed to expose them to U.S. companies to learn what their needs were for information and assistance in making Reconnaissance Visits and in conducting Feasibility Studies. The visit also turned out to have a very valuable promotional dividend. The companies visited had already expressed interest in Egypt through the Project. Their managements indicated that the very

opportunity the visit afforded them of making their views known and explaining their project's goals would be considered as a plus in their decision whether or not ultimately to make the project investment.

- Two major problems of communication complicated the smooth operation of the Reimbursement Programs.

a) The Authority sequestered the process of evaluating applications from the beginning, expressly requesting CTIC not to offer its advice or assistance. This deprived the promotion program of feedback which could have been useful in communicating with potential U.S. investors. Moreover, it prevented CTIC from helping to fine-tune the procedures originally set up for the Reimbursement Programs to take account of anomalies not anticipated at the beginning of the Project (e.g. the definition of "Fortune 1000 in size").

b) The Investment Authority Bureau in New York, which had opened its doors in 1980, was an energetic ally to CTIC in the early Promotion Program. However, it apparently did not enjoy the confidence of the Investment Authority management in Cairo and was finally closed in August, 1982.

The Commercial Bureau of the Egyptian Embassy in Washington, was as helpful to the Project as possible given the other demands on its time. However, the Bureau rarely provided feed-back to CTIC as to who was contacting them and how contacts were being handled.

4. Technology Transfer

- The Project's training component incorporated three activities:

- a) On-the-job training for Counterparts as members of the Sectoral Survey research teams. As the surveys progressed, the Counterparts' ability to conduct and report on interviews improved. In the case of the Automotive Components survey, the majority of field research was conducted by the counterparts themselves, under the close supervision of a CTIC consultant.

- b) Formal courses for three weeks on research design, interviewing techniques, and data analysis. This training was conducted midway in the sectoral survey research and helped the Counterparts to assimilate the lessons of their on-the-job experience.

c) A five-week trip to U.S. and visits to companies which are potential investors in Egypt. The frank but good-spirited exchanges between the Counterparts and U.S. business executives during the trip opened eyes on both sides. For those counterparts who continue to work on the Project, the improved understanding of U.S. business thinking they gained will make them better able to support prospective investors in their investigations.

- Two reports on these activities have been submitted to the Authority, which will help it to recognize the talents of the individual Counterparts and to provide guidance for their future career development.

- The effectiveness of the Technology Transfer Program, however, has been limited because of the lack of a permanent organization within the Authority to serve as a center for the research, promotion, and investor support skills the

Counterparts have developed. Disbanding of the group at the end of CTIC's contract threatens to deprive U.S. companies which participate in the Reimbursement Program of a reliable source of support within the Authority. .

Recommendations for Project Implementation

The Private Sector feasibility Studies Project now has a firm basis in personnel, procedures, documentation, and funding. Forceful implementation is required to maximize the Project's ultimate results. In our opinion, the following measures, in the areas of Reimbursement Program operation, Promotion, Training, and Sectoral Survey updates, would help assure the Project's success.

1. The Investment Authority's top management should vigorously support the Project and its promotional goals. Actions to display that support would include direct interest in the Reconnaissance Visits and Feasibility Studies funded by the Project, an appeal to the Authority's Board of Directors for better cooperation with the Project, particularly from GOFI, and consideration for expanding and strengthening the Authority's Promotion Sector, including the re-establishment of an Investment Bureau in the U.S.
2. The work of companies approved for Reimbursement

Program awards should be closely monitored and supported, both in Egypt and in the U.S. The Authority should request that the Egyptian Embassy's Commercial Bureau contact the companies periodically, both to offer assistance and to determine what results can be expected. A semi-annual trip by Authority officials to U.S. companies doing approved Feasibility Studies would be a very effective communications and Project management technique. As a result of this monitoring, the Procedures Manual should be continually reviewed and revised if necessary to simplify and clarify it.

Promotion of U.S. investment in Egypt through the Project should continue by enlisting directly the support of key industry organizations, including both the Egypt and the U.S. Sections of the Egypt-U.S. Business Council, as well as the Cairo Branch of the U.S. Chamber of Commerce, the Egyptian-American Chamber of Commerce in New York and the U.S.-Arab Chambers of Commerce in New York, Chicago, Houston, and San Francisco. They should be provided with regular updates on Reimbursement Program awards and on completed Feasibility Studies and Reconnaissance Visits. In addition, they should

be asked to nominate potentially interested companies for the project opportunities profiled in the Surveys and their board members should be asked to contact the nominated companies personally.

4. More generally, the Authority should highly publicize any successes of the Project, such as completed studies and, especially, related investment project approvals.

5. Once a sufficiently varied group of feasibility studies is underway, the Authority should finance the cost of observation visits to participating U.S. companies. Under this program the Authority would request a number of the U.S. companies involved to invite the Authority officials designated as their project officers to spend a week or more working with the study team in the U.S. This in-depth exposure to the companies' analysis will be invaluable to their development as effective promoters and supporters of prospective foreign investors.

6. The potential of several of the Project Counterparts to be effective promotion officers is severely limited by their lack of English or any foreign

language capability. They should be given intensive foreign language training, preferably overseas.

7. Much of the data in the ten Sectoral Surveys, as well as the information in the Guide to Doing Business in Egypt appended to each Survey, will need periodic updating. Since the availability of this kind of information is so important to the promotion of investment, the Authority should devote sufficient manpower resources to keep it current. As an alternative to revising each survey, new surveys may be done based on the originals but which present the information with a different angle. This may broaden the appeal of the surveys to a wider array of foreign companies. Possible survey titles include:

- a) Consumer Goods Industry (projects which require heavy marketing and distribution investments).
- b) Capital Goods (projects which require heavy investment in establishing a customer service capability).

- c) Information Industry (e.g., computer software, training, programming - projects which would be tailored to Arabic-speaking markets).

APPENDIX I

Private Sector Feasibility Studies
U.S. A.I.D. Project No. 263-0112

Key Consultants

Project Management

Samir A. Fahmy, V.P., CTIC, Project Director
Frank A. Ocwieja, V.P., CTIC, Project Manager
Geoffrey Scott, V.P., CTIC, Resident Project Manager
Charles Megronigle, Singmaster and Breyer, Inc., Resident
Technical Coordinator

Sectoral Surveys

1. The Processing and Distribution of Egyptian Food Crops
Dr. Ray Kelley, V.P., CTIC,
Survey Team Leader
Mr. Andrew Jackson, KWTCO
Ms. Vivien Fauerbach, CTIC, Editor

2. The Production and Processing of Egyptian Livestock,
Poultry and Fish Products

Dr. Ray Kelley, V.P., CTIC,

Survey Team Leader

Mr. Andrew Jackson, KWTCO

Ms. Vivien Fauerbach, CTIC, Editor

3. Construction Materials, Components and Systems

Dr. Iraj Ertefai, CTIC,

Survey Team Leader

Ms. Robyn Watson, CTIC

Mr. Vivien Fauerbach, CTIC, Editor

4. The Non-Electrical Machinery Industry in Egypt

Mr. Leonard R. Hones, KWTCO,

Survey Team Leader

Mr. Ronald Propper, KWTCO

Mr. Andrew Jackson, KWTCO

Ms. Vivien Fauerbach, CTIC, Editor

Local Consultant: Eng. Ismail Yassin

5. Pharmaceutical and Health Care Products in Egypt
Dr. Leyland Kitchen, V.P., Chase Manhattan Bank,
Survey Team Leader
Dr. Ray Kelley, V.P., CTIC
Mr. John Kadilis, CTIC
Ms. Vivien Fauerbach, CTIC, Editor
Local Consultant: Dr. R. A. Gomaa

6. Integrated Agribusiness in Egypt
Dr. Nicholas LePoidevin, HAI,
Survey Team Leader
Dr. Ray Kelley, V.P., CTIC, Editor

7. The Automotive Parts, Components, and Accessories Industry in Egypt
Mr. Samir Fahmy, V.P., CTIC
Survey Team Leader
Mr. Guy Tower, CTIC
Mr. Frank A. Ocwieja, V.P., CTIC, Editor
Local Consultant: Dr. Adel Gazarin

8. The Chemical Industry in Egypt

Mr. Charles Megronigle, S&B

Survey Team Leader

Mr. Edward Saltz, S&B

Dr. Ray Kelley, V.P., CTIC, Editor

Local Consultant: Eng. Salah Farid

9. The Electronic and Electrical Industries in Egypt

Mr. Charles Megronigle, S&B

Survey Team Leader

Mr. Robert Webber, S&B

Dr. Ray Kelley, V.P., CTIC, Editor

Local Consultants: Dr. Mounir El-Said and Dr. Shafic
Metri

10. Maintenance and Repair Facilities and Services in
Egypt

Mr. Leonard R. Hones, KWTCO

Survey Team Leader

Mr. Ronald Propper, KWTCO

Mr. Andrew Jackson, KWTCO

Dr. Ray Kelley, V.P., CTIC, Editor

Reimbursement Programs Procedures

Mr. Frank A. Ocwieja, V.P., CTIC, Team Leader

Mr. Arnold F. Lessard, V.P., CTIC

Promotion

Mrs. Miriam Karr, V.P., CTIC, Manager, U.S. Programs

Ms. Robyn Watson, CTIC

Technology Transfer

Mr. Harry Swart, KWTCO, Training Specialist.

Appendix 2

PRIVATE SECTOR FEASIBILITY STUDIES
U.S. A.I.D. PROJECT NO. 263-0112

SUMMARY PROJECT BUDGET

| | Budget (Third Amendment) | Actual (As of 12/31/82) |
|---|-----------------------------|----------------------------|
| Personnel Costs (Base Salary, Fringes, Overhead, Allowances, and Fixed Fee) | | |
| - Chase Trade Info. Corp. | \$957,334 | \$1,029,632 |
| - Subcontractors | 392,430 | 394,304 |
| Travel | 156,758 | 129,628 |
| Equipment | 5,400 | 8,486 |
| Other Direct Costs | <u>152,050</u> | <u>116,119</u> |
| | \$1,657,972 | \$1,678,170 |

PROJECT LISTEGYPTIAN INVESTMENT AUTHORITY
PRIVATE SECTOR FEASIBILITY STUDIES PROGRAMProposed projects in the Animal Products sector:

- Dairy Projects -- Several new ventures to raise cattle for milk with related meat products.

Joint ventures in embryo transplants are also sought.
- Cattle Finishing Lots -- Projects to import calves and raise to slaughtering age, as well as import of small cattle for finishing.
- Slaughterhouses -- Several projects to slaughter, package, and process red meats for local consumption, including canning and freezing of meats.
- Sheep Raising -- Projects to raise sheep on newly reclaimed lands in Egypt for sale in domestic market (live or dressed).
- Integrated Poultry Facilities for Egg Production -- Raising parent stock, as well as packaging eggs for local distribution.
- Integrated Broiler Facilities -- Raising parent stock, chicks for local sale, and broilers with associated slaughtering and processing facilities.
- Poultry Feed -- Establishment of poultry feed operations to supply local egg and broiler producers with properly formulated feeds.
- Fish Farms -- Several fish farm projects in various parts of the country with associated processing facilities.
- Convenience Food Chains -- Establishment of retail chains for the sale of pre-cooked fish and poultry.

All the above projects are in the high priority category as the government is encouraging projects which will increase animal protein production in Egypt. Special subsidies on feed inputs and utilities, as well as low-cost loans (6% p.a.), not normally available to private joint ventures involving foreign equity (Law 43), will be made available for these projects.

PROJECT LISTEGYPTIAN INVESTMENT AUTHORITYPRIVATE SECTOR FEASIBILITY STUDIES PROGRAM

Potential projects in the Health Care Products and Equipment sector:

- Stainless Steel Needles -- joint venture for the production of stainless steel needles of all types: hypodermic, intravenous infusion, blood withdrawal, suture sewing, catheter, etc. Potential domestic need is around 100 million per year.
- Rubber Gloves -- joint venture for the manufacture of high quality surgical gloves. At present there is only one local production facility, in Alexandria, making re-usable general purpose rubber gloves; there is no local production of disposable surgical gloves.
- Gelatin Hard Capsules -- establishment of domestic manufacturing facility for the production of hard gelatin capsules which are currently not produced in Egypt. Domestic demand is close to 1 billion per year. Output from the proposed new venture could supply both the domestic market in Egypt and also be exported to neighboring countries.
- Sutures -- establishment of a modern suture manufacturing facility for the production of high quality sutures (animal source, nylon, and synthetic polyglycolic acid). Local consumption is about 500,000 units per year.
- Adhesive Tape -- local manufacturing facility for the production of adhesive dressings, primarily for the private sector market.
- Plastic and Textile Disposables -- establishment of domestic production facility for the manufacture of items such as: surgical face masks, surgical drapes, swabs, urine bags, incontinent pads, ostomy supplies, cannulas, catheters, intravenous infusion sets, blood collecting bags, blood transfusion sets, gauze bandages, gauze eye pads, airway breathing tubes, enema sets, irrigation trays and syringes, isolation gowns, elastic bandages, cervical collars, burn dressings, etc. At present there is no domestic production of these items, which are all imported.
- Germicidal Surgical Scrub Solution -- establishment of local production facility for the manufacture of surgical scrub solution -- for example, cetylethyl dimethylammonium ethane sulfate in isopropyl alcohol, and povidone (polyvinyl-pyrrolidone) iodine, as well as germicide-saturated scrub pads. At present these products are not produced domestically.

(Over)

- Plaster of Paris Bandages -- joint venture for the production of prepared Plaster of Paris bandages based on indigenous gypsum supplies, both for the domestic and export markets.
- Talc -- joint venture for the establishment of a manufacturing facility for the production of iron-free pharmaceutical grade talc. Egypt has deposits of magnesium silicate, but there is no domestic talc production for use in cosmetic body powders and pharmaceutical pill manufacture.
- Thermometers -- establishment of a manufacturing facility for the production of thermometers, flat and prismatic types. At present all domestic requirements are met through imports.
- X-Ray Film -- establishment of a modern X-Ray film production facility. At present all X-Ray film is imported -- about 200-300,000 square meters per year. A local manufacturing facility could supply both the Egyptian and export markets.
- Pharmaceutical Packaging Materials -- introduction of modern technology for the manufacture of glass and plastic bottles, and aluminum foil.
- Ethical Drugs -- transfer of latest technology that would facilitate introduction and production of newly developed drugs into the Egyptian market.
- Hospital Management -- application of American modernization and management expertise is a promising new field in Egypt. The first such U.S. joint venture in Egypt is the new As-Salam Hospital in Maadi, Cairo, a full-service 300-bed facility, being built by American Medical International.

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Projects in the Construction Sector that have been identified as being of particular importance to the Egyptian economy and potentially attractive to U.S. investors:

- Metal Scaffolding, Forming and Shoring -- Establishment of a production facility for the manufacture of metal scaffolding, forming and shoring systems for use in commercial/industrial construction and civil works. Annual production capacity projected at 5,000 to 6,000 tons.
 U.S. company participation in this venture would involve taking an equity position in a joint venture in Egypt, provide design and engineering, and job-site services.
- Steel Rolling Mill -- Establishment of a rolling mill, using imported billets, for the manufacture of small diameter reinforcing bars (6mm - 25mm). The facility would comprise a billet yard, reheating furnace, and roughing/finishing facilities. Annual production capacity is projected at 30,000 tons, rising annually at the rate of 6% during the first five years of operation.
 U.S. company participation in this project would involve taking an equity position in a joint venture in Egypt and procurement of know-how and equipment.
- Central Air Conditioning -- Establishment of a joint venture in Egypt for the manufacture of central air-conditioning systems for use in hotels, administrative buildings, hospitals, factories, and other commercial/institutional end users. Initial production capacity is projected at 3,000 refrigerated tons a year.
 U.S. company participation in this project would involve taking an equity position in the joint venture in Egypt, procurement of equipment and know-how transfer, and marketing.
- Prefabricated Low-Cost Housing -- Establishment of a facility for the manufacture of concrete-based low-cost housing, through introduction and development of hollow-core flat slab systems. Annual production volume projected at 5,000 units.
 U.S. company participation in this project would involve taking an equity position in a joint venture company in Egypt, supply of equipment and technology, and job-site training.
- Pre-Engineered Steel Buildings -- Establishment of assembly and/or manufacturing plant in Egypt for rigid-frame, pre-engineered steel buildings (open span type) for industrial, commercial and military applications. Annual production capacity projected at 7,000 to 10,000 tons.
 The proposed plant will require computerized design technology for standard and custom-made building systems.
 U.S. company participation in this project would involve taking an equity position in a joint venture company in Egypt, procurement of equipment and technology transfer.

(Over)

Other Potential Investment Projects in the Construction Sector:

Construction Materials and Components

- PVC pipes and fittings
- Gypsum-based plaster and blocks
- Sand bricks
- Asbestos cement pipes
- Pre-stressed concrete pipes
- Lightweight concrete wall panels
- Large diameter fiberglass pipes

Construction-Related Tools and Equipment

- Concrete mixers
- Vertical pumps for deep-well irrigation
- Improved hand tools and builders' hardware
- Overhead cranes

Finishing and Completion Materials and Components

- Paints and varnishes
- Rolling doors
- Wallpapers and other coverings
- Aluminum doors, windows and angles

Construction Systems

- High-rise steel structures
- Foundation piling systems

Construction Services

- Modern architectural/engineering firms
- Electrical, plumbing and sanitary installation firms
- Building materials trading companies
- Equipment repair and leasing firms
- Construction management firms

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Proposed projects in the Non-Electrical Machinery sector:

- Tractors -- Provide technology, management and training for 12,000 unit joint venture facility to manufacture and assemble standard tractors. Opportunities also exist for assembly/production of lightweight agricultural tractors and small non-riding farm tractors.
- Industrial Material Handling Equipment -- Plant to manufacture equipment such as lifting, handling, loading and unloading machinery and conveyors.
- Machine Tools -- Manufacturing facility for machine tools such as center lathes, bench drills, pedestal grinders, floor drills, vertical milling machines. Output to meet the needs of medium and small metalworking shops.
- Industrial Power-Driven Hand Tools -- Manufacturing facility for the production/assembly of electrically or mechanically operated saws, planes, drills and wrenches.
- Industrial Woodworking Machinery -- Facility to manufacture and assemble power-driven but manually operated standard machines -- saws, lathes, joiners, sanders and planers.
- Air and Gas Compressors -- Plant to manufacture single stage air and gas compressors for industrial and commercial applications.
- Fluid Pumps -- Single stage, horizontal and vertical, for above ground applications. Typical project is for venture to produce low-lift centrifugal irrigation pumps with electric motor or internal combustion engine power source for use on small farms.
- Refrigeration and Freezing Equipment -- Establish household refrigerator plant to manufacture 12-20 cubic foot units, and/or improve operating efficiency of existing 250,000 unit assembly plant for 8-10 cubic foot models. Opportunities also exist for manufacture/assembly of industrial refrigeration and freezing equipment, storage units, and refrigerated vans and trucks.

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Proposed projects in the Chemical Sector:

- Sodium Tripolyphosphate -- Plant to produce 35-50,000 tons per year; also 20,000 tons per year of dicalcium phosphate. Joint venture with four established Egyptian companies.
- Synthetic Detergents -- Joint venture for blending and packaging synthetic detergents from imported components, with contemplated expansion to manufacturing. Production initially 40,000 lbs per week.
- Detergents -- Plant to produce complete line of detergents: 30,000 tons per year detergents, 12,000 tons per year laundry soap, 61,000 tons per year toilet soap, 2,000 tons per year solvents.
- Industrial Detergents -- Joint venture with private sector chemical company to produce 20,000 tons per year of industrial detergents for local market.
- PVC
 - Joint venture to produce 40,000 tons per year PVC resins for sale to local compounding companies.
 - Joint venture to produce 15,000 tons per year dioctylphthalate as plasticizer for PVC adhesives.
 - Plant for production of solid and perforated wall PVC pipe for agricultural use. Estimated production -- 30,000-40,000 tons per year.
 - Plant to produce blow-molded PVC bottles and covers for health care products -- shampoos and pharmaceuticals.
- Particle Board -- Joint venture to produce 15,000 tons per year of particle board from match production facility wood wastes.
- Textile Chemicals -- Joint venture to produce 3,000 tons per year of textile chemicals and printing pigments -- synthetic yarn sizing compounds, synthetic polymers for pigment binding, fabric finishing, clocking and back coating.

(Over)

- Paints, Lacquers, Oxides -- Joint venture with private sector company now producing calcium carbonate. New plant to produce paints, lacquers and oxides for distribution through existing wholesaler network.
- Polyester Coatings -- Joint venture to produce 1,500 tons per year of polyester coatings for metal and wood, with later planned addition of resin production.
- Pesticides -- Joint venture with existing pesticides and chemical company to produce chlorinated and phosphoric pesticides. Initial planned production -- 1,250 tons per year.
- Insecticides -- Joint venture to expand existing aerosol spray, dust and liquid product line. Estimated initial production -- one million cans per year.
- Acetylene -- Joint venture with major established industrial gases company to produce 20,000 tons per year of acetylene.
- Sodium Magnesium Chemicals -- Establishment of a multi-purpose, 350,000 ton, chemical extraction plant -- sodium sulphate by brine cooling and crystalization, sodium sulphide by cake reduction, sodium chloride by evaporation, magnesium oxide by magnesium hydroxide precipitation and calcining.

Numerous other projects have been identified -- including Cellophane production; Polypropylene film; Bleached cotton linters; Carboxymethyl cellulose; Salt production.

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Proposed projects in the Food Crops Production and Processing sector:

- Corn Syrup and Starches -- new venture to produce high fructose corn syrup (HFCS), glucose, starches, gluten, corn oil, and animal feed from imported corn (maize).
- Biscuits and Confectionaries -- new plant for the manufacture of biscuits, wafers, chocolates, and confectionaries using internationally known brand names.
- Edible Oil -- new facility for production of edible oils from cottonseed and soybeans, with seed residue to be used for production of cattle feed. Establishment of a plastic bottle manufacturing facility -- either welded from PVC sheets or blow molded -- is also envisioned.
- Bulk Tomato Paste -- a line to produce large containers of tomato paste during high season for recanning in off-season period.
- Individual-size Honey, Jam and Jellies Packets -- a new venture to produce a range of individual-size containers for honey, jams, and jellies for use in hotels and restaurants.
- Dehydrated Vegetables -- modernization and expansion of existing vegetables dehydration plant -- onions, garlic, carrots, leeks, and cabbage. A dry soup mix line is also contemplated.
- Peanut Butter -- small plant to crush about 2,000 tons of residue peanuts for oil and butter, to supply the domestic market.

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Projects identified in the Integrated Agribusiness sector:

Specific opportunities exist in several regions of the country for integrated agribusiness projects on newly reclaimed land or on previously reclaimed land now operated by state companies.

Following are examples of projects for which foreign management, technology and equity are desired.

- South New Valley -- Development of 1.3 million feddans south of the New Valley between Lake Nasser and the Sudan border. The Ministry of Housing and Development would like to establish several joint ventures, initially through three pilot projects.
- East of the Nile Delta -- Technical feasibility studies have been completed for the development of 600,000 feddans between the Suez Canal and the Nile Delta.
- Farafra -- Project to produce fruit, vegetables and fodder, with associated fruit drying, vegetable canning and dairy facilities, on 50,000 feddans south of Cairo in the New Valley.
- West Nuberiya -- Project for the extraction of green protein from alfalfa grown on new lands -- 10,000 feddans southwest of Alexandria.
- El Tal Il Kebeer -- Development of a vertically and horizontally integrated production and processing facility -- fruits, vegetables and dairy products. 5,000 feddans located in Ismailia and Sharkia Governorates.
- Ismailia -- Development of 3,000 feddans in Ismailia to grow and process fruit and vegetables, including processing facilities for canning and freezing.

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Representative projects in the Maintenance and Repair sector:

- Contract and On Call Maintenance and Repair Services for Large Hotel, Office and Residential Buildings. Joint venture with Egyptian private and public sector companies to provide management, technical guidance and training of service personnel for a wide variety of machinery.
- Contract and On Call Maintenance and Repair Services for Hospitals and Institutional Buildings. Joint venture with a public sector company to provide management, technical guidance and training of service personnel; possibility of equity participation.
- Contract Maintenance and Repair Services for Industrial Buildings and Machinery. Joint venture with a public sector company to provide management, technical assistance and training for a new venture to perform contract maintenance and repair services for industrial buildings, industrial machines, power generating equipment and construction equipment.
- Passenger Car Maintenance and Repair Service Centers. Joint venture with public sector automotive company to establish a chain of passenger car service centers throughout Egypt. Foreign partner to provide management, technical know-how, training and some equity.
- Automotive Maintenance and Repair Services to Owners of Bus and Truck Fleets. Joint venture with public sector automotive repair company to provide maintenance and repair service to owners of bus and truck fleets. Foreign partner to provide management, technical know-how and equity participation.
- Diagnostic and Maintenance and Repair Services for Industrial Machinery. New venture with public sector companies to repair existing machinery in Egyptian industrial plants and to produce repair parts for older machines. Existing machine tools requiring parts and service exceed 20,000 units; textile machines needing similar service exceed 5,000 units.

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Representative projects in the Electrical and Electronic Industries sector:

- Telephone System Equipment -- Provide technology and equity for a joint venture with a public sector company to manufacture, market and install electronic telephone exchanges, various types of telephone sets, key telephone and intercom systems. Projected annual turnover of \$95 million at full capacity.
- Telephone Cables -- Joint venture for the manufacture and marketing of "jelly-filled" telephone cables (1.3 million kilometers per year). Foreign partner to provide technology; financial participation possible.
- VHF and HF Components -- Supply components, technology and equity for a joint venture company to assemble VHF and HF components, including AC to DC power supplies, into systems. Manufacture of components in Egypt is a possible future development. Initial volume is 1,000 VHF and 30 HF units; total investment: \$600,000.
- Television -- Provide technology and equity participation for joint venture with public sector company to manufacture cathode ray TV sets. Projected annual production: 100,000 units.
- Word Processing Equipment -- Joint venture with a private sector company to assemble/manufacture, market, install and service word processing equipment for small business office applications. Projected annual output: 100 units.
- Minicomputers -- Provide technology, internationally-known product identification and equity participation in a joint venture with a public company specializing in minicomputers for business use. Services to include hardware assembly, software development, marketing of complete hardware/software packages, installation, maintenance and repair.
- Medical Equipment -- a private sector company is interested in establishing joint ventures to:
 - assemble 50-100 hemodialysis monitors and 50,000-100,000 disposables (dialyzers) per year. Foreign partner to provide technology and financial equity.
 - assemble 50-100 electrocardiogram monitors per year. Foreign partner to provide technology and financial equity.

(over)

- Porcelain Cable Insulators -- Provide technology and equity participation for joint venture with public sector company to manufacture 3,000-4,000 tons per year of porcelain insulators in all voltage ratings up to 500 KV.
- Low and Medium Voltage Fuses -- Provide technology and equity participation for joint venture with public sector company to manufacture 500,000 low voltage and 100,000 medium voltage fuses per year. There is little local competition and most raw materials are available locally.
- Small Appliances, Microwave Ovens and Automatic Washers -- Provide technology and financial participation for a joint venture with a public sector company to manufacture and market fans (100,000 units), vacuum cleaners (15,000 units), mixers and blenders (10,000 units), microwave ovens (5,000 units) and automatic washers (20,000 units).
- Refrigerators -- Joint venture to manufacture/assemble 700,000 units per year: 80% to be 7-13 cubic foot units; 15% for export to Arab countries.
- Air Conditioners -- Separate opportunities with two public sector companies:
 - to manufacture 50,000 units, including window type and split type with separate condensers.
 - to produce 20,000-30,000 window air conditioners; also plan to produce washing machines (250,000 units per year).
- Incandescent Light Bulbs, Fluorescent Tubes, Car Lamps -- Establish joint venture with public sector company to produce incandescent light bulbs (20 million units), fluorescent bulbs (10 million units) and automotive head and tail lights (10 million units). Foreign partner to provide technology, brand name and financial participation.
- Electrical Wiring Devices -- Provide technology, management, brand name and equity for joint venture with public sector company to manufacture plastic electrical accessories, including snap switches, switch plates, receptacles, receptacle plates, plugs, outlet boxes, sockets and lamp holders.
- Lead-Acid Batteries -- Provide technology and equity participation for a joint venture with a public sector company to manufacture lead-acid batteries. Projected production of 400,000 batteries: 20% electrical industrial and 80% automotive starter.
- Fire and Burglar Alarm Systems -- Two separate opportunities with private sector companies to establish joint ventures to (1) assemble commercial and industrial fire and burglar alarm components as integrated systems; (2) assemble approximately 100,000 electronic burglar and fire alarm units for home and commercial security alarm systems. Foreign partners to provide technology, components and equity.

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Proposed projects in the Automotive Components, Parts and Accessories sector:

- Exhaust Systems -- Joint venture for the production of mufflers and exhaust systems. Local production is already undertaken by public and private companies, but the market demand far exceeds local production.
- Fuel Pumps -- No local production currently exists in Egypt although 1981 imports exceeded 300,000 units. A public sector company which makes engine components and water pumps seeks a foreign partner's technology to capture a share of this growing market.
- Engine Rebuilding -- The two largest automotive assemblers in Egypt, NASCO and Arab American Vehicles, are both interested in joining with U.S. companies in providing complete engine repair and rebuilding services to the owners and operators of car, truck, and bus fleets. NASCO has established a new Egyptian joint venture which is already negotiating such arrangements with other foreign companies.
- Shock Absorbers -- There is no domestic production at the present time for much-needed shock absorbers to satisfy a vehicle population reaching over one million units by 1987.
- Brake Cylinders and Linings -- Two local companies manufacture brake parts but the need to replace these items frequently has resulted in increased annual imports. A joint venture is needed to satisfy demand for both types of products and offer an import-substitution benefit to Egypt.
- Oil, Fuel and Air Filters -- These parts are characterized as leading all "fast item" products and the minimal local production falls far behind in satisfying the market demand.
- Piston Sets -- A major public sector company which already produces piston components is planning to expand its capacity to supply the growing OEM market in Egypt. It seeks a joint-venture partner to provide technology, equity investment, and production management.

Appendix 4

PRIVATE SECTOR FEASIBILITY STUDIES
U.S. A.I.D. PROJECT NO. 263-0112

Approved Reimbursement Activities

The Egyptian Investment Authority has informed Chase Trade Information Corporation that it had approved the following applications for Reimbursement Programs, as of November 4, 1982:

Reconnaissance Visits

Company

America's Development Foundation
Packer Land Packing Company
Delmed, Inc.
Green and Associates
Continental Grain

Industry

Low-cost Housing
Meat Processing
Health Care
Edible Oil Extraction
Animal Feeds

Feasibility Studies

Company

New Ag., Inc.
Hygrade Food Products Corp.
Alliance Foods, Inc.
Bartex, Inc.
Virgin Islands Refinery Corp.
International Plant Research
Institute
USS Engineers and Consultants

Project

Poultry and Tomato Project
Meat Packing Plant
Food Distribution System
Plastic Shoe Plant
Floating Cold Storage Units
Integrated Agribusiness
Project
Sheet Steel Plant