

# Social and Economic Benefits



of **USAID** programs in Egypt



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## **1. Introduction**

The Arab Republic of Egypt and the United States of America have long had a strong joint relationship, one that is not built on economic growth alone. Political factors such as promoting peace in the Middle East and maintaining a stable region, which serves both nations' interests, also play an important role. The economic relationship between Egypt and the United States is important to both countries, although more so for Egypt given the relative size of the two economies. Activities between the two include trade in goods and services, capital inflows and significant transfer of aid. Indeed, Egypt is the second largest recipient of assistance from the United States Agency for International Development (USAID), which began its program in Egypt in 1975.

Through the years, there have been many debates on the benefits to the economy of such large-scale aid. This study highlights some of the benefits to Egypt throughout a period of shifting economic policy.

The second section gives an overview of USAID economic assistance, while the next part deals with how this aid has helped support economic reform, and outlines the coming phase of USAID-Egypt cooperation. Economic growth objectives leading to private sector led economic growth will be discussed in terms of:

- A. Creating private sector jobs
- B. Increased agricultural sector productivity
- C. Increased exports in targeted sectors
- D. Accelerated privatization and strengthened financial markets
- E. Increased access to reliable power and telecommunication services
- F. Increased utilization of information and communications technology

The other USAID objectives will be analyzed, including those enhancing social development with emphasis on:

- A. Management of the environment and natural resources in targeted sectors improved
- B. Healthier, planned families
- C. Basic education to meet market demand improved
- D. Egyptian initiatives in governance and participation strengthened

## **2. Overview of USAID Economic Assistance**

The Egyptian economy has passed through three distinct phases of development since 1952. During the first phase from 1952 to the early 1970s, Egypt adopted a central planning approach with the allocation of resources, production, and distribution of income fully undertaken by the government. Around 80 percent of value-added and more than 60 percent of employment were generated by public economic entities, which enjoyed protection from both the domestic private sector and international competition.

The second phase came in the mid 1970s, a few years after President Anwar El Sadat assumed power. During this phase the economic policy turned sharply toward an open door policy in an attempt to emulate open economy models. The inherited structural imbalances, though, did not allow the economy's productive capacity to cope with the requirements of free competition. Thus, imports and trade deficits leaped to unprecedented levels, and the government became less capable of mobilizing resources to bridge the gap.

To bridge the mounting deficit, USAID started its program in Egypt in 1975 to provide short-term financial assistance. After the conclusion of the Camp David Treaty between Egypt and Israel in 1979, Egypt was officially granted an annual \$2.1 billion (see Figure 2.1: Allocation of U.S. Annual Aid Package to Egypt [1975-1998] in Appendix ). Egypt was classified as the second largest aid recipient after Israel, reflecting the cementing of relations with the U.S.

The third phase started in 1981 when the government of Egypt announced an anti-inflationary policy aimed at bringing both the budget and current account deficits to acceptable levels. The policy involved fiscal tightening (gradual cuts in subsidies on publicly provisioned goods, and cuts in government spending) and monetary tightening (the decrease in the growth rate of broad money supply and credit rationing to the private sector).

However, given the severe short-term impacts of the stabilization, a sharp decline in oil prices, and decreases in the prices of primary exports, Egypt suffered from a recession in the late 1980s and early 1990s, coming to the verge of a debt crisis. Intervention by the International Monetary Fund was sought in 1991 to assist in debt rescheduling, which was only conditional upon the implementation of a comprehensive Economic Reform and Structural Adjustment Program (ERSAP). Beginning in the mid 1990s, the economy went through a phase characterized by a shifting focus on the part of the Government of Egypt to emphasizing the private sector as the engine of growth and the source of job creation. Promotion of economic activity in the private sector saw that the sector's contribution to GDP rose from 61 percent to 74 percent in the last half of the 1990s, as the private sector grew twice as fast as the economy as a whole did.

Up to the year 1998, annual U.S. aid to Egypt was \$2.3 billion of which \$815 million was economic aid, and the remainder was military aid. In June 1998, it was decided that U.S. economic aid to Egypt would be lowered by an annual 5 percent to result in a decrease of 50 percent by the end of the year 2008. Total aid Egypt will receive in FY2002 will amount to \$645 million of which \$200 million will be specifically used to finance the Commodity Import Program (CIP). In January of 2002 the U.S. administration agreed to expedite aid amounting to \$959 million from Egypt's economic aid account to assist in overcoming the effects of September 11, 2002 on the Egyptian economy. USAID has repeatedly proved to be a valuable partner to the government of Egypt in terms of

providing the technical and financial assistance needed to implement the required reforms as smoothly and effectively as possible.

### **DEVELOPMENT OF USAID PROJECTS IN EGYPT (1975 TO LATE 1990s)**

During the early stages of assistance, USAID funds were used to remedy the persisting budget and current account deficits.

Egypt's infrastructure also warranted early attention. The areas most targeted for improvement included electric power, water and wastewater, grain storage, telecommunication, and port facilities.

In the early 1990s, USAID funds began to actively promote private sector-led sustainable growth. USAID also broadened its scope of assistance to give greater attention to agriculture, health and basic education. Addressing Egypt's quality of life problems, people in the rural areas, and promoting local development became high priorities.

USAID also began helping Egypt rebuild its industrial and commercial base through U.S. imported commodities, equipment and intermediate goods for the private sector. Another major activity was working with the government of sustainable development. Table 2.1 below shows the progressive nature of USAID's mission in Egypt.

**Table 2.1  
Progressive Nature of USAID's Mission**

<b>Strategy</b>	<b>1975</b>	<b>1980s</b>	<b>Early 1990s</b>	<b>Mid-1990s</b>	<b>Early 2000s</b>
Bridging Current Account Deficit and Preventing an Economic Crisis	*				
Building a Growth-conducive Infrastructure Network		*			
Creating a Take-off Policy Reform			*		
Promoting Competitive Integration into the Global Economy				*	
Ensuring Sustainability					*

Since ERSAP was established, Egypt has successfully stabilized its economy and undergone numerous structural reforms. It has reduced trade barriers, initiated public sector reform and privatization, stabilized the foreign exchange rate, decreased the budget deficit, lowered inflation, and liberalized the interest rate (see Table 2.2 for Economic Indicators).

**Table 2.2  
Economic Indicators**

	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	2000/01
<b>DOMESTIC ECONOMY</b>										
Nominal GDP at Market Prices (\$ bn)*	41.8	47.2	52.9	60.2	67.7	75.5	82.5	88.9	97.8	94.6
Real GDP Growth (%)	1.9	2.9	3.9	4.6	5	5.3	5.7	6.1	5.1	4.9
Population (mn)	54.3	56.9	58.3	59.2	60.6	62	62.7	64	65.4	66.7
Real GDP Per Capita (\$)	769	852	932	1,038	1,143	1,251	1,329	1318	1373	1,162
Share of Private Sector in GDP	61.2	na	na	64.3	65.5	68.8	70.7	74.9	73.1	na
Unemployment (%)	9.2	10	9.8	9.6	9.2	8.8	8.5	8.2	7.9	7.6
Budget Deficit (% of GDP)	6.4	4.2	2.1	1.3	1.3	0.9	1	4.2	4.7	na
Exchange Rate (End of Period)(LE/\$)	3.32	3.35	3.39	3.39	3.39	3.39	3.395	3.396	3.446	3.86
Period Average Inflation (%)	21.1	11.1	9	9.4	7.3	6.2	4.5	3.8	2.8	2.4
<b>EXTERNAL SECTOR</b>										
Exports (\$ bn)	3.88	3.72	3.33	4.96	4.59	4.9	5.1	4.4	6.4	7.1
Imports (\$ bn)	10.05	10.7	10.7	12.8	14.1	14.7	16.5	17	17.9	16.4
Trade balance (\$ bn)	-6.17	-7	-7.3	-7.85	-9.5	-9.8	-11.8	-12.5	-11.5	-9.4
Current account/GDP (%)	22.7	22	0.8	0.6	0.3	0.2	-3	-1.9	-1.2	-0.03
Foreign Direct Investment (\$ million)	na	1,140	1,321	783	627	770	1,104	711	1,656	509
<b>COUNTRY RISK INDICATORS</b>										
Foreign Reserves (\$ bn)	10.6	14.9	17.9	17.9	18.5	20.3	20.1	18.1	14.4	14.1**
Import Coverage (months)	12.1	16.2	18.8	16.4	15.7	15.7	14.3	12.8	10.2	10.4
External Debt (\$ bn)	35.2	30.2	30.89	32.9	31	28.8	28.1	28.2	27.8	26.6
% of GDP	84	64	59.9	54.8	45.9	38.1	34	31.7	28.5	27
Debt Service Ratio	24.7	11.7	13.6	12.7	12	7.2	7.2	7.5	7.2	8.3

Today, the USAID Mission; however, has a new context for its development strategy for FY2000-2009. This new USAID strategic plan shifts the focus of development assistance from aid to trade and investment. One challenge Egypt faces is to increase investment since both foreign and domestic investment is critical to expand exports, accelerate economic growth, generate jobs, and spread the benefits of growth equitably. Thus, the strategy takes into account Egypt's emerging-market status and integration into the global economy, as well as a mutual interest in stronger Egyptian-American private sector relationships. It also keeps in mind the Government of Egypt's efforts to meet the human resource challenges posed by the global economy, to create 700,000 new jobs annually, to preserve the country's natural resources base, and to improve selected social services.

## **CUMULATIVE USAID ECONOMIC ASSISTANCE TO EGYPT (1975 TO 2001)**

As mentioned earlier, Egypt received \$815 million each year in economic assistance up to 1998. The 2002 budget is \$645 million. USAID assistance has been distributed among the following activities:

- Sector policy reforms
- Commodity import programs
- Private sector promotion
- Agriculture
- Telecommunications and power
- Information and Communication Technology
- Environment
- Education
- Population and health
- Democracy

During the period from 1975-2001, cumulative U.S. aid to Egypt reached \$24.7 billion (see Figure 2.2: Allocation of U.S. Economic Aid to Egypt Among Different Programs in Appendix) as follows:

\$10.5 billion – Projects in the areas of agriculture, physical infrastructure, health, family planning, education, and the environment.

\$6.87 billion – Commodity Import Program (CIP: essential goods and raw materials for Egyptian industry and development provided by U.S. suppliers). The Program has been in operation since 1986, providing nearly \$3 billion in resources to Egyptian firms. In 2001, CIP approved a total of 740 loan transactions, resulting in loans of \$227 million to 250 Egyptian business firms, who imported products directly from U.S. manufacturers. So far in FY 2002 through April, another \$170 million in loans have been approved. Loan repayments from this program accrue to a trust fund, most of which eventually is turned over to the GOE for budgetary support purposes or for locally based activities.

\$3.5 billion – Cash Transfers or Sector Policy Reform (to support economic policy reform and structural adjustment).

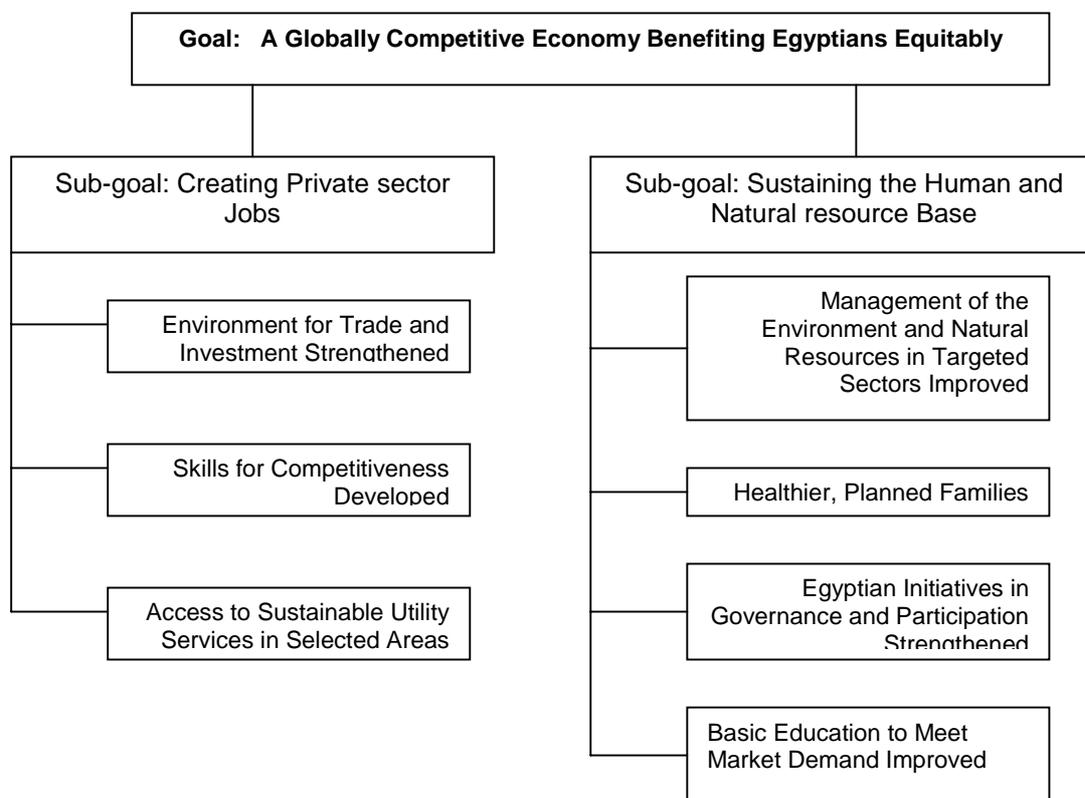
\$3.9 billion – Food Aid imports (administered through the U.S. Department of Agriculture). This program ended in 1990.

### **3. EQUITABLE DEVELOPMENT: FROM AID TO TRADE**

USAID grants are provided to encourage implementation of comprehensive structural adjustments in the economy. As shown in the strategic chart designed by the USAID Mission in Egypt for FY 2000-2009, achieving a globally competitive economy benefiting Egyptians equitably is the ultimate strategic goal. The current slogan used to describe the USAID Egypt Program: “advancing the partnership from aid to trade” is set as a function of the economic, political, and social goals of the USAID mission in Egypt.

Contributing to each of USAID's sub-goals is a number of programs, formulated in conjunction with the Government of Egypt and jointly financed by both.

**Figure 3.1**  
**Strategic Goal and Sub-goals of USAID's Programs in Egypt (2000-2009)**



### **A. CREATING PRIVATE SECTOR JOBS**

The creation of private sector jobs constitutes the overall objective of policy sub-goal one. This goal comes as the appropriate subsequent to the sub-goal of the nineties: private sector-led export oriented economic growth. USAID is concentrating on complementing this prior goal through the formulation of more jobs for the Egyptian workforce. The reform measures targeted within this goal are aimed collectively at creating a favorable climate conducive to the creation of private sector jobs. They include the following:

- Environment for Trade and Investment Strengthened.
- Skills for Competitiveness Developed.
- Access to Sustainable Utility Service in Selected Areas Improved.

## Environment for Trade and Investment Strengthened

The transition from a public sector-dominated economy to a private sector-led economy requires grass-roots reforms on the legislative and conceptual framework levels. The rationale for a trade and investment strategic objectives derives from both global economic and bilateral political demands, coupled with the Government of Egypt's desire to encourage economic activity. The GOE is increasingly committed to allowing market forces to allocate scarce economic resources and to letting the private sector make the economy's investment and production decisions. In addition, the private sector mirrors the GOE's commitment to reform. USAID's Mission activities assisted reform elements in both the public and private sectors to facilitate and hasten changes.

USAID's Program has contributed to economic reform and growth, particularly throughout the 1990s. The results of USAID and GOE cooperation are of significant impact. The benefits of which can be seen in the GOE's issuance of regulations for clearing and settling companies, portfolio management companies, and brokerage firms. In addition, the GOE has eliminated troublesome regulations including licensing requirements for exports, while passing laws that allowed for majority foreign ownership of public sector banks and insurance companies.

Before these measures were implemented, Egypt's domestic market was relatively closed with a high rate of protection. The forms of protection-both tariff and non-tariff barriers-prevented Egypt from taking full advantage of globalization. Liberalized trade and reduced tariff levels were thus additional targets of immediate reform. In agriculture, several policy programs and private producer associations supported cotton sector reforms. As a result, 1998-1999 saw, for the first time since the 1960s, no floor price or target planting area for cotton. In addition, six spinning and weaving companies were privatized and new private firms are starting up or expanding. Furthermore, the private sector now enjoys Internet access from more than 47 private providers.

Moreover, by the end of 1999, 110 state-owned enterprises were privatized by the Ministry of Public Enterprise, including majority initial public offering, anchor sales, employee stock ownership's, and liquidations. Additionally, 16 joint venture firms were majority privatized by the Ministry of Trade and Supply, as were 16 other joint venture by the former Ministry of Economy. In 1998, private foundations made almost 80,000 small and micro-enterprise (SME) loans valued at \$75 million. Since 1990, six foundations and a private sector bank program have been established and are operating on a self-sufficiency basis. Over the past decade, 150,000 jobs have been created through USAID program activities.

As the government pulled away from controlling the economy, USAID in collaboration with the GOE started working more on improving the legal/regulatory frameworks. Foremost amongst those regulations are the following:

- Labor Law: entails greater freedom of hiring and firing and the right of employees to strike; currently on way to Parliament for discussion in summer term, 2002.
- Intellectual Property Protection: entails the protection of IPR in compliance with WTO regulations; the law is currently in Parliament with ongoing

verification of 420 remaining articles, and should be verified before the end term of 2002.

- Mortgage Law: allows people to receive credit to purchase homes, has passed in Parliament and is awaiting the addition of Executive Regulations.

### **Skills for Competitiveness Developed**

As mentioned before, in planning its Mission for 2000-2009, USAID focused on the creation of private sector jobs. One of the most critical constraints on the competitiveness of Egyptian companies is the lack of an appropriately skilled workforce. In the view of many business leaders, this is the most binding constraint on Egypt's ability to upgrade competitiveness. USAID has responded by developing a new program to support skill development.

This program will target the 50 percent of Egyptian workers who are literate and include workers who are in management or who have management potential. Activities will focus on strengthening Egyptian private sector management and training providers, encouraging the private sector to budget for training as an investment and not an expense, and ensuring that training institutions provide training based on demand and in growth areas.

USAID will support a variety of activities to expose Egyptian business leaders and to work in coordination with public policy makers to modernize business thinking in this area. Activities will be coordinated with the Egyptian side of the Egypt-U.S. Presidents' Council and with other Egyptian business leaders. Targeted investments in the development of business, technical, and entrepreneurial skills will contribute to competitiveness, and will utilize skills and training methods in which American organizations have strong expertise. Also planned, as part of the program is a limited U.S. based Masters of Business Administration (MBA) training to impact on Egyptian productivity by producing high-quality MBAs, and the founding of a world-class business school in Egypt, and the Egyptian Technology University. Additionally, the program will help with the establishment of 'smart school' project to introduce information technology into grades K through 12 education.

### **Access to Sustainable Utility Service in Selected Areas Increased**

As part of its Mission, USAID recognizes that an important foundation for increased trade and investment is reliable and sustainable utility service. To meet the needs of Egypt's growing economy, utilities must make needed capital investments, be able to recover costs and operate efficiently. The GOE, therefore, is promoting increased private sector participation in these sectors.

USAID is now placing increased emphasis on supporting legal and regulatory reform in the three sectors of -power, telecommunications, and water and wastewater- in order to create an enabling environment for private sector participation and improve service delivery. In collaboration with the GOE, USAID is working to put legal reforms into place and regulatory agencies in the power and telecommunications sectors with water and wastewater following soon after.

## **B. Increased Agricultural Sector Productivity**

In designing its reform program, USAID concentrated on reforming sectors considered to be the backbone of both social and economic development. Agriculture is one of the cornerstones of development in Egypt due to its direct value-added and its unlimited linkages with other sectors.

Agriculture currently constitutes around 20 percent of GDP, 36 percent of employment, and 22 percent of commodity exports. Government control of input and output prices in the past resulted in the sector suffering from structural difficulties that gradually eroded both productivity and farmers' income. Accomplishments include 2.3 million small farmers receiving access to credit under reasonable terms.

The Sector has received about \$1.3 billion in resources over the past 25 years. Since 1981, the government of Egypt pooled USAID funds to seven major programs targeting water management, farming technology, farmers' access to credit, and policy reform. USAID started its support by strengthening the infrastructure in terms of irrigation systems and the installment of sophisticated equipment. In the mid 1980s, the government of Egypt defined its main objective of minimizing market distortions and fostering the role of the private sector.

The program started with the Agricultural Production and Credit project in 1986 and continues with the Agricultural Policy Reform Program (APRP) initiated in 1995 which encompasses five general categories:

- Prices, markets and trade
- Private investment and privatization
- Efficiency of agriculture land and water resources utilization and investment
- Agriculture support services
- Food security concerns

During this period, the real value of crop production increased by 89 percent, leading to a significant increase in real farm income. Total wheat production more than doubled, while rice production doubled simultaneously.

With an export-led economy as the ultimate target, USAID has built on these achievements and put special emphasis on transferring technology to the fields of non-traditional crops and horticulture. To achieve its goal, the Agricultural Technology Utilization and Transfer project was developed in 1995 to provide technical and market research on selected horticulture and food crops with export potential. Today USAID-supported programs have seen exports of selected products in the food-processing sector more than double: from \$202 million to \$477 million.

Some of the major achievements of the agriculture policy reforms are listed in table 3.1.

**Table 3.1**  
**Major Achievements of Agriculture Policy Reform**

<b>Reform Item</b>	<b>Date</b>
Removal of Seed Subsidies	1992
Removal of all Pesticide Subsidies	1992
Mandatory Farmers' Sale of Rice to the Government Removed and Private Milling Legalized	1992
Opening Fertilizer Sales to Private Dealers	1992
Liberalization of Crop Prices, Except for Rice, Wheat and Cotton	1995
Removal of Fertilizer Subsidies	1996
Removal of Land Tenancy Ceilings	1997
Removal of Cotton Price Floors	1998
Support for the "Cold Chain" from Farmers' Fields to European Markets	2000

Other results and achievements of USAID-funded projects include: training more than 1,000 Egyptian researchers in the U.S. in different academic programs; the renovation of five research centers and 17 field sites; granting \$40 million worth of research equipment and supplies to Egyptian universities, research centers, and labs; and establishing linkages between Egyptian and foreign research centers and institutions.

### **C. Increased Exports in Targeted Sectors**

Egypt's export performance during the past two decades was unsatisfactory due to the steady decline in oil prices, fading demand for primary products, and the semi-fixed exchange rate policy in Egypt. As a result, the gap between exports and imports has been expanding.

Egypt's export composition is 50 percent reliant on petroleum and related products. Non-petroleum exports are composed of industrial products (15 percent), cotton and textiles (11 percent), agricultural products (6 percent), and others (16 percent). Given the volatility of oil exports proceeds and declining reserves, the government of Egypt is boosting non-oil exports through investment incentives, streamlining export procedures, and seeking technical and financial assistance from international donors.

In response to the need to diversify and increase Egypt's export base, USAID expanded its private sector program to help the Government of Egypt remove and alleviate the remaining institutional constraints to private sector-led growth. A major initiative in this regard is the Growth Through Globalization (GTG) program, which supports the efforts of Egyptian firms to become more competitive in the global economy. Its activities promote the adoption of improved products, technologies, and management practices, increase

access to market information, build a strong private sector association that can advocate reforms favorable to private sector-led economic growth, and liberalize the rules of international trade and local markets.

**GTG organizations include:**

- The Egyptian Center for Economic Studies (ECES) helps economic liberalization trends and opportunities in areas that need policy advocacy. The Center researches options and fosters dialogue on important economic and regulatory issues in Egypt. The ECES has held a number of highly successful seminars, including one on the technical aspects of the GATT, and one for Egyptian non-governmental organizations (NGO's).
- The Federation of Egyptian Industries is an advocate for the new investment and trade laws, alerting the public the weaknesses in the legislation.
- The American Chamber of Commerce (AmCham), through its USAID funded Business Link Project, has an important role in highlighting the potential and resources of the Egyptian market and in particular to promote business between Egypt and the United States. It spreads the message about new policy developments and advocates policy reforms that improve the business environment for the private sector. Its Business Studies and Analysis Center researches and publishes reports on economic and business topics of interest to the Egyptian private sector and foreign firms considering investment in Egypt. In conjunction with the Link, AmCham hosts a weekly television program for the wide dissemination of market information, together with building public opinion support for economic liberalization policies.
- The President's Council was established by President Hosni Mubarak and Vice President Al Gore under the U.S. Egyptian Partnership for Economic Growth and Development to help identify business friendly reforms and promote business between the two countries.
- The Trade Development Center (TDC) was established with support from USAID to stimulate nontraditional exports by the Egyptian private sector. Today, TDC activities are effectively helping Egyptian firms to increase their access to market information and accelerate their adoption of improved technologies. Supported by the TDC, is also newly formed Egyptian Exporters Association (EEA). It works towards increasing private sector exports in five categories, helping Egyptian firms in each sector to penetrate new markets.
- Agribusiness Linkages, which connects Egyptian firms with U.S. 'know-how,' equipment, agricultural inputs, and services that address production, processing and management problems and facilitate trade relationships. It especially emphasizes export opportunities for processed food products.

- The Agriculture-Led Export Business Program, which supports the efforts of the private agricultural sector to diversify their export activities by improving competitiveness of food processing companies and related service providers.
- The Horticulture Export Improvement Association, which is a membership-driven association for the benefit of producers, exporters, and service providers, with the mission of expanding sustainable exports of horticulture crops through accessing modern technology, state of the art harvesting practices, and up to date market information.

Through USAID grants, the International Executive Service Corps (IESC) was established to improve the efficiency and productivity of the Egyptian private sector, to ensure quality control, and to develop market information. The role of the IESC has been expanded by establishing the Center for Quality Assurance (CQA) and the Manufacturing Technology Centers (MTC). These Centers were designed to provide services that will enable Egyptian private sector firms to become more competitive in local and global markets. CQA provides technical assistance to help firms meet international quality standards for exports, known as ISO 9000. By the end of 1997, more than 50 clients received the ISO certificate. MTC services include needs, assessments, and technology identification. By 1998, more than 50 clients had received over 80 different services.

#### **D. Accelerated Privatization and Strengthened Financial Markets**

Since 1991, in conjunction with the IMF, USAID has been providing direct consultation and financial assistance to the government of Egypt on its mass sale of 314 public sector companies. Under sector policy reform programs, the government of Egypt has evaluated the assets of public sector companies, prepared a yearly plan of action, sponsored studies on privatization-specific problems, and, finally, pushed for privatization to include utilities and infrastructure.

From 1998 to 2001, the government of Egypt privatized 110 companies and promises further progress in privatization, planning to begin to sell at reasonable prices, or to lease to the private sector. Table 3.2 below and Figure 3.3: Number of Companies Privatized from 1991 to 2001 in Appendix, illustrate the major privatization indicators.

**Table 3.2  
Major Achievements of Privatization**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
Majority Public Offering	0	0	0	0	0	15	13	8	0	1	0	37
Liquidations	4	2	1	1	2	1	6	6	7	3	2	35
ESAs	0	0	0	10	0	0	5	12	5	0	2	34
Anchor Investors	0	0	0	3	0	3	4	2	9	5	4	30
<b>Total</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>14</b>	<b>2</b>	<b>19</b>	<b>28</b>	<b>28</b>	<b>21</b>	<b>9</b>	<b>8</b>	<b>136</b>

## **Financial Market**

Historically official financial markets were unable to channel funds to small and micro enterprises, although they constitute 99 percent of the total number of firms in Egypt. Due to the lack of a viable private sector, USAID initiated in the late 1980s the Small and Micro Enterprise Development program (SMED) to facilitate access to funds and guarantee loans from both financial institutions and banks. These programs were aimed specifically at mitigating the negative impact of the structural adjustment program on low-income groups. Since 1988, USAID has participated in almost all finance projects targeting SMEs to supplement the negligible role of the formal commercial sector. To date, the SME Program has helped create about 170,000 jobs through the extension of more than 600 thousand loans amounting to more than \$600 million.

Strengthening Egypt's financial sector has been a top priority since the beginning of Egypt's economic reform process in 1991. Within banking, the government of Egypt has undertaken broad liberalization initiatives, including amendments to the banking and credit laws that allow majority foreign ownership in joint venture banks (JVBs) and private banks. The new scenario gives banks the freedom to set charges and fees for the banking services rendered, to relax limitations on the transfer of capital in and out of Egypt, and to authorize foreign banks to deal in local currency.

To increase competition in the financial markets, USAID has been an advocate of privatizing one of the four giant public-sector banks as well as some joint venture banks. As of September 1998, there are:

- Five JVBs where the state banks' ownership is below one percent
- Six JVBs where the state banks' ownership is between one and 20 percent
- Nine JVBs where the state banks' ownership is between 20 and 50 percent
- Three JVBs where the state banks' ownership is above 50 percent

As the public sector banks relinquish their hold on the economy, the link between the financial sector and the government has been re-established according to economic criteria, which will re-allocate funds to the growing private sector.

USAID's evaluation report shows significant results. From 1994 to 1998, total credit extended to the private sector more than doubled from LE38 billion to LE82 billion. Furthermore, the market value of the privatized firms jumped from LE245 million in 1991 to a record LE13.1 billion until June 1998.

## **Capital Market**

The capital market in Egypt has been dormant for the past 50 years due to the control of the public sector over economic life. In 1992, under the joint guidance of IMF and USAID, the capital market was reactivated both as a mechanism for broadening ownership in state-owned enterprise and as a source of finance for private firms. Re-activation of the capital market was a precursor for the further liberalization of the financial sector by being

a competent source of both equity and debenture-based funds. USAID has now been helping Egypt for several years to revive this market, especially as it affects the private sector. Growth of the capital market was tremendous in Egypt as indicated below:

- Market capitalization rose from \$3.8 billion in 1993 to more than \$ 20 billion in 1997
- The number of mutual funds leaped from only three in 1994 to 20 in 1998
- The average volume of transactions conducted by foreigners as a percentage of total transactions has also jumped from 10 percent in 1993 to 35 percent in 1998

Moreover, USAID has assisted in the re-foundation of the Cairo-Alexandria Stock Exchange, especially through the provision of computer software and hardware to allow the Exchange to provide state of the art service to its clients. USAID advisors further assisted the GOE with its successful floating of the \$1.5 billion Eurobond issue in the summer of 2001. This offering establishes a yield curve to serve as a benchmark for the private sector borrowing and for future government securities issues.

### **Insurance Sector**

USAID has been an advocate of privatizing one of the big three public sector insurance companies. Since 1996, in cooperation with other donors, the government of Egypt has been studying a proposal to privatize the sector and open the market to 100 percent foreign ownership of insurance and re-insurance companies. During early 1997, the state - owned insurance companies successfully started selling slices of their shares in joint venture companies. By the end of 1997, the first multinational insurance company in the country, ALICO, formed a joint venture with an Egyptian private firm.

In 1998, further amendments to the existing laws opened the door for private companies to enter the insurance market.

### **E. Increased Access to Reliable Power and Telecommunication Services**

Egypt, similar to comparable developing countries, suffers from inadequate infrastructure. In 1976, the overall installed capacity did not exceed 4,000 megawatts (MW) and was wholly dependent on the hydro-electric High Dam station which, at the time, had a maximum potential capacity of 14,000 MW per annum.

Similarly, in the early 1980s, telecommunication services were lagging far behind the economy's demand, with a total of 50,000 telephone lines in 1981 serving over 50 million citizens. To a large extent, the public sector monopoly had reduced the incentive to upgrade or expand the network. However, with the rapid pace of private-led growth and increasing demand for energy and telecommunications, the existing capacity will not keep up with the projected demand and intensive upgrading will be urgently required.

## **Improvement of Power Production and Distribution**

Since 1975, the government of Egypt has invested about \$1.6 billion in the construction and modernization of the electric utility infrastructure. USAID assistance is being provided to the Egyptian Electricity Authority (EEA) and improvements have been made in access, efficiency, and reliability of electricity. Energy use has grown rapidly in Egypt, and again demand must be equaled with supply.

Presently, 97 percent of the Egyptians have access to electricity. USAID has co-financed the installation of about 4,000 megawatts of this increase, and it also financed upgrades in Cairo and Alexandria increasing system reliability of the entire grid. Total installed capacity increased from 3,789 MW in 1976 to more than 14,500 MW in 1999, as figure 3.4 in Appendix illustrates the Installed Electric Power Capacity from 1976 to 1999.

Today, the Government of Egypt not only gives high priority to expanding the electric power generation to meet future demand, it is taking steps to expand generation facilities through private investment and to reform energy pricing policies to prevent the inappropriate use of energy. With USAID support, the GOE has been restructuring the electric power structure. The situation has become so favorable that the Egyptian Electricity Authority is now ready to start exporting power to Jordan.

## **Upgrading Telecommunication Services**

A series of USAID investments in the Egyptian telecommunications sector have supported the institutional strengthening of the Arab Republic of Egypt National Telecommunications Organization (ARENTO), lately renamed Telecom Egypt. This assistance has improved and expanded the telecommunication networks in Cairo and Alexandria. The enhancements made between 1978 and 2000 with USAID and other bilateral assistance include:

- The number of communities connected to the direct dial network increased from seven to 251
  - The number of international circuits increased from 820 channels to 8,480 channels
  - The number of telephone lines increased from 50,000 to 5,500,000. (See Figure 3.5: Number of Telephone Lines in 1980 and 2000 in Appendix).
  - Telephone density increased from 1.2 to 8.5 lines per 100 population
  - Centralized operational and maintenance centers have been installed
- USAID involvement has totaled \$660 million since 1987, adding service to about 860 thousand additional households and approximately five million people

Telcom Egypt has made significant changes in finance, accounting, payroll, personnel, planning, and management systems.

These benefits are substantial; however, further reforms are needed along with an influx of new investment in telecommunication infrastructure to meet the enormous demand for new services. The government of Egypt recently announced that Telecom Egypt would be gradually privatized upon completion of assets valuation.

In this regard, plans are to privatize shares up to 20 percent of sales of basic services in 1998. Several other developments are underway to implement new policies. These include the provision of Internet services by 32 private sector providers, the licensing of the resale of telecommunication services by private entities, and the leasing of 40,000 lines to private sector pay-phone operators.

USAID has cooperated successfully with the government of Egypt to bring about a dramatic adjustment in the sector. In late 1997 and 1998, two vital amendments to the laws and regulations governing the operation of electric and telecommunication facilities were passed. The first converted the Telecom Egypt into a shareholding company with a high degree of autonomy in terms of management and fund allocation. The second is in the realm of power generation, where the government allowed the participation of the private sector in the installation and running of power generation facilities on a BOOT basis. Both steps were reflected in USAID's sustained efforts since the mid 1980s to keep Egypt reform the policy framework to be in line with international standards. Table 3.3 indicates some of the major achievements of a healthy, growing economy with growing private sector influence.

**Table 3.3**  
**Major Policy Reform Measures Achieved with the Technical and Financial Assistance of USAID**

<b>Reform Item</b>	<b>Date</b>
<b><i>Privatization</i></b> All 314 public companies were grouped under 14 holding companies to be privatized in successive stages.	1991
<b><i>Unified Tax Law</i></b> The unified tax law replaced the stratified taxation system to simplify tax collection procedures and minimize evasion cases.	1997
<b><i>Unified Investment Law</i></b> Establishment of business firms became a one-step procedure. Generous tax exemption was granted on the basis of type of business and remoteness from the Nile valley.	1997
<b><i>General Tariff Reduction</i></b> The maximum tariff was reduced to 50 percent from a level approaching 160 percent. The range of banned items was also reduced significantly.	1998
<b><i>Liberalization of the Financial Sector</i></b> Foreigners are allowed to own full stakes in banking and insurance entities.	1998
<b><i>Liberalization of the Telecommunications Sector</i></b> The private sector is allowed to participate in mobile and pay-phone systems.	1998
<b><i>Liberalization of the Maritime Sector</i></b> The private sector is allowed to participate in all forms of maritime-related activities, either ownership or BOOT contracts.	1998
<b><i>The Unified Labor Law</i></b> Entails greater freedom of hiring and firing and the right of employees to strike. A draft has been prepared jointly with the International Labor Organization and has been submitted to Parliament.	1999-2002

## **F. Increased utilization of information and communications technology**

Recently, in response to the stated priorities of the Government of Egypt, USAID has begun projects in the information technology sector. These priorities recognize the importance of expanding and deepening information and communications technology as a principal avenue to greater national productivity and global competitiveness.

To develop information and communications technology in Egypt in a manner that accelerates economic growth, increases productivity, and enhances global competitiveness, USAID has initiated a new program that supports advances in technical, institutional, legal and regulatory, human resource, and infrastructure areas. This work is a natural extension of previous efforts, building on the \$600 million that the United States has invested in telecommunications during the last 25 years.

Future cooperation between Egypt and USAID in this area will enable the private and public sector utilization of information and communications technology, leading to further increases in national productivity. Ultimately, the GOE and USAID recognize that Egypt's further integration into the world economy depends largely on the depth and range of its information technology and communications resources.

## **ENHANCED SOCIAL DEVELOPMENT**

As mentioned above, the rest of USAID's economic assistance package is linked to enhanced social development and covers a wide range of activities in the areas of environment, education, population and health, and democracy, focusing on:

- Management of the environment and natural resources in targeted sectors improved
- Basic education to meet market demand improved
- Healthier, planned families
- Egyptian initiatives in governance and participation strengthened

### **A. Management of the environment and natural resources in targeted sectors improved**

Egypt, in common with almost all developing countries, suffers the consequences of industrialization and urbanization, economic growth, and environmental degradation. The situation is even more acute in Egypt due to the skewed pattern of industrialization concentrated in metropolitan areas of Cairo, Alexandria and the canal cities.

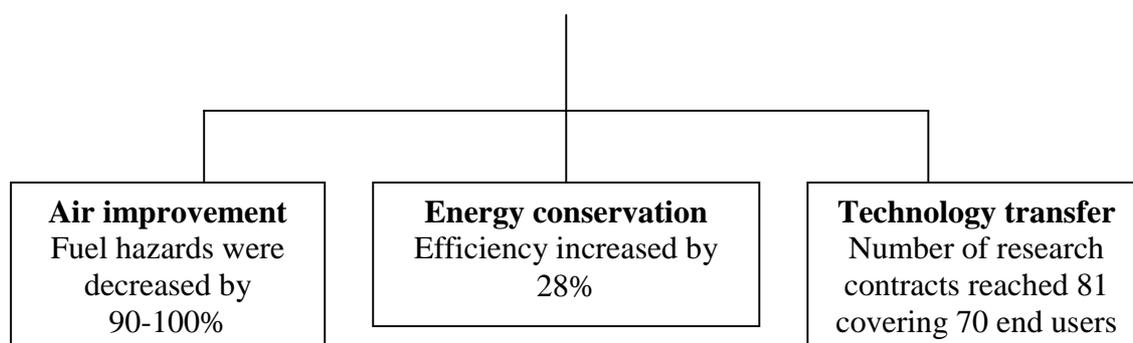
In the early 1950s and 1960s, Egypt's low population density helped mitigate any social and environmental costs to economic development. However, by the late 1970s and 1980s, rapid industrialization had led to severe degradation in the environment and resulted in deteriorating health conditions, especially in Cairo and Alexandria.

Since 1975, USAID has invested over \$2.8 billion in water and wastewater infrastructure. In this field, USAID has fully financed six large-scale sewage and drainage projects in Cairo, Alexandria, port cities, and some Upper Egypt governorates. These projects benefited around 22 million Egyptians by securing access to a complex web of water, wastewater, and recycling services. Ensuring broader access to water and wastewater has reduced a wide range of intestinal health hazards. Continuing efforts will focus on the sustainability of utility services and the promotion of private investment in the utilities sector.

However, Egyptians also suffer from respiratory problems. Industrial emissions, vehicles, construction, garbage burning and natural dust from surrounding deserts are major sources of severe respiratory illnesses, especially in Cairo and Alexandria. According to air pollution studies, Cairo is ranked the second after Mexico City in terms of air-pollution. It is further estimated that around 10,000 to 25,000 deaths per year are attributed to levels of suspended particulate and lead pollution in Cairo.

In the field of pollution, the government of Egypt made a significant commitment to address air pollution in its Environmental Action Plan, which was adopted in 1992. More than \$330 million of USAID funding was used to finance three major projects in the fields of air improvement, energy conservation, and technology transfer. The achievements are indicated in figure 3.6:

**Figure 3.6**  
**USAID Anti-Pollution Programs in Egypt**



Moreover, major recent efforts undertaken by USAID to reduce deadly airborne lead emissions in affected urban areas have resulted in a considerable drop in measured levels over the past two years.

The Cairo Air Improvement Project initiated in 1995 is among the most ambitious. It includes instituting vehicle emissions testing and tune-up program; promoting the use of Compressed Natural Gas (CNG); significant progress has been made in promoting the use of liquefied natural gas as an alternative to gasoline, especially for taxi and bus fleets with more than 35,000 vehicles making the switch so far. In addition to reducing airborne lead smelters; and establishing an air-monitoring network. To date, most of the air monitoring equipment has been procured and is now being installed. Also, some public awareness campaigns for unleaded gasoline have been completed and further campaigns are planned.

Protecting the environment is also vital to sustaining Egypt's tourism industry. In 2000, a program was started to sustain tourism focusing on the preservation and restoration of both natural and cultural national treasures. The 1998 Red Sea Policy Framework for Sustainable Tourism promotes responsible management of Red Sea coastal areas. Other recent policy reforms directly address Nile River water quality, the re-use of drainage water, improved irrigation practices and other critical water management improvements. Throughout the strategy period 2000-2009, the Mission will focus more directly on the actual improvement of environmental conditions, targeting Nile River water resources, Red Sea natural resources, urban/industrial pollution, and energy efficiency.

## **B. Basic education to meet market demand improved**

Since 1975 USAID has supported Egypt's education and training needs. USAID is collaborating with the government of Egypt on basic education for girls. Major problems exist with this group in particular as girls and women lack equal access to education in Egypt. Female illiteracy is 57 percent compared with 34 percent for men.

It is clear that many of the constraints to girls' participating in education must be solved on the local level. For this reason, new relationships between the government, NGOs, communities and families must be established.

Over the past year, cooperating NGOs have helped increase girls' desire to go to school and provide scholarships to assist them. Their activities have created quality education opportunities for approximately 19,350 girls.

The results achieved to date include:

- Construction of approximately 2,000 primary schools serving almost one million students
- More than 10,000 teachers and technicians have received USAID funded training
- Female primary school attendance has increased by 30 percent over the last five years to 74 percent nationwide and male attendance by 20 percent to 84 percent
- More than 12,225 girls, mostly in Upper Egypt, have participated in life skills and literacy classes

USAID has supported some other activities through the strengthening of technical capabilities of individuals and groups from Egyptian public and private sector entities such as:

- Development training which identifies human resource needs in Egypt and provides training opportunities in the U.S., Egypt, and third world countries
- University linkages that help bring Egyptian and U.S. universities together to promote long-term relationships between participating institutions.

In 2000, USAID launched its New Schools Program, which plans to construct more than 800 new classrooms, aiming to strengthen teacher capacity and to introduce new teaching methodologies. The USAID supported NGO effort to reach girls outside of school,

through scholarships and other supplementary programs, has now reached more than 28,000 girls annually. Another activity undertaken by USAID with great success has been the launching of *Alam Simsim*, Egypt's version of Sesame Street, resulting in the television program now going into its third year. The program aims to build literacy and numeracy skills among children embarking on formal education, to promote girls' education, and to encourage sound health and environmental practices. Audited viewer surveys indicate that the program is regularly watched by 99 percent of its intended age-group audience, which is a figure unmatched elsewhere in the world.

Furthermore, the Mission has adopted a special objective in basic education in its 2000-2009 strategy that plans to demonstrate models of improved basic education, with special emphasis on under-served and economically disadvantaged areas of the country, community involvement, and educating girls while strengthening English language skills and school to work programs. Model development will be implemented mainly through NGOs, and public-private partnerships.

### **C. Healthier, Planned Families**

USAID has been assisting the government of Egypt in the family planning sector since 1975 to ensure sustainable improvements in women and children's health in Egypt.

USAID has helped Egypt expand access to health services for the rural and urban poor. These improvements were based on three interrelated objectives:

- Improving quality and utilization of maternal and child health care
- Developing new tools and approaches to combat selected endemic and emerging diseases
- Establishing improved environments to plan and finance sustained health systems.

With the assistance of USAID financed programs, birth rates have declined from 5.3 live births per woman in 1980 to 3.5 births per woman in 2000. The contraceptive prevalence level was 57 percent in 2001, which is almost two and half times what it had been in 1980. Institutional capacity for management and service provision in both the public and not-for profit sector has also grown significantly through USAID assistance

With USAID funds, the government of Egypt has increasingly supported child survival interventions. The infant mortality rate decreased from 94.9 in 1982 to 52.7 per 1000 live births in 1997 with a decline of about 50 percent over the past twenty years. The maternal mortality rate has dropped from 174 per 100, 000 live births in 1993 to 84 in 2001. Coverage for fully vaccinated children increased to 92 percent in 2000. Confirmed polio cases decreased from 584 in 1992, to 35 in 1998 and to only 3 in 2000. Neonatal tetanus cases also decreased from 500 to 376. Today polio and neonatal tetanus in Egypt appear below average worldwide levels. The child survival programs have helped Egypt to reduce the infant mortality rate by 43 percent between 1980 and 1990 and the child mortality rate by 55 percent in the same period.

To improve the environment and to manage sustained health systems, the U.S. private voluntary organization Save the Children Federation (SAVE) has carried out a number of activities in Upper Egypt serving health needs with USAID financial assistance. One of its

activities is the Water and Sanitation in Rural Areas project. This project has improved access to and use of clean water, and has helped establish safe wastewater disposal system in 30 villages in Upper Egypt. With respect to public health epidemic diseases, USAID has also supported selected research to combat hepatitis C, a widespread, disease and to prevent the re-emergence of schistosomiasis. The results from USAID's investments in schistosomiasis research have reduced the prevalence for this disease to the lowest levels ever recorded in Egypt.

The Mission's health and population program plans to shift its focus to capacity strengthening and sustainability to include a more integrated perspective responsive to the GOE's vision. With USAID assistance, Egypt is well on its way to establishing a firm foundation for sustainable, effective health and family planning services.

#### **D. Egyptian Initiatives in governance and participation strengthened**

The Government of Egypt has been using USAID funds to support the People's Assembly and the *Shura* Council to build on and improve the effectiveness of their legislative and administrative processes. The assistance is focused on developing and improving existing parliamentary information services and expanding the demand for and use of these services. To date:

- 625 information services staff members have received in-country and overseas training in areas such as economics, political science, law and public policy formation.
- The Library and Computer Center has received technical assistance to help develop and support its role in information services delivery.
- Increased use of researched information in legislative proceeding and papers.

With USAID financial support, the U.S. private voluntary organization Cooperative for Assistance Relief Everywhere (CARE) is converting local community groups into effective development organizations and is encouraging the growth of small and micro enterprises. To date,

- 276 community-based development projects were initiated, designed and implemented by Egyptian NGOs.
- 342 community development training workshops for local NGOs have been conducted.
- Four partner organizations associated with the development of small business entrepreneurial activities were established in Qena, Sohag, Fayoum, and Aswan.

USAID is also working with the Ministry of Justice to develop automated information systems and to train judges, prosecutors, and civil court operations in new civil and commercial court trends.

At the community level, USAID is working with private voluntary organizations and local leaders, to develop model programs in education and development for girls and young women. Efforts are also underway to promote gender equity and to encourage community

participation in the planning, implementation, and evaluation of community-based programs.

Accomplishments to date include:

- 866 community leaders and 282 youth leaders trained in advocacy for young women.
- A “New Horizons” life skill-training program developed in collaboration with local Egyptian community leaders.
- 106 teaching units covering a spectrum of issues including adolescence, marriage, reproductive health, child development, first aid, violence against women, environment, income savings, and generation.

USAID collaborated with the government of Egypt in integrated rural development, commonly known as “Shrouk,” which promoted greater participation and decentralized governance at the village level.

#### **4. CONCLUDING REMARKS**

Since 1979, the US economic assistance program to Egypt has been the most significant component of the economic relationship between the two countries. It has supported Egypt’s economic transition and has helped establish the sustainable social services that are vital for improving the quality of life and economic well being of the Egyptian people. The economic assistance program has now matured into the U.S-Egyptian Partnership for Economic Growth and Development. This partnership has been an important venue for furthering the policy dialogue among high-level U.S. and Egyptian officials and private sector representatives from both countries.

The Government of Egypt has devised an economic reform policy and a structural adjustment program, which were designed around investment plans in specific sectors of the economy. Complementing these efforts, the USAID assistance program was directed to support the economic development plans of the government of Egypt. During the early phases of economic restructuring, USAID’s assistance program aimed to build the infrastructure capacity required for economic development and revitalizes the agriculture sector. The outcome of these investments included dependable electricity, clean water, significantly improved health care, more schools, reliable telecommunications, improved village infrastructure and services, new technologies, a more efficient and diversified agriculture base, and expanded farmer access to credit, seeds and fertilizer.

Notwithstanding this considerable progress, the government of Egypt has been intensifying its efforts to raise the standards of living, reduce unemployment, bring down inflation, and to shift a market-based economy. The portfolio of USAID activities has responded accordingly to Egypt’s changing developmental needs based on the mutual goal of increasing economic growth and the quality of life in Egypt.

Thus, the Egyptian economy has grown substantially, fiscal deficits have declined sharply, foreign exchange reserves have increased significantly, inflation has been brought under control, and Egypt has made progress with structural reforms, including privatization. Domestic and foreign companies have responded to Egyptian incentives with investment

in sectors ranging from consumer goods to power generation and communications. These investments have brought new technology and higher paying jobs for Egyptians.

Furthermore, Egypt has taken important steps to liberalize its economy, improve its enabling policy environment, and strengthen key social and economic institutions. It is working to liberalize trade by reducing tariff barriers, as well as generating new jobs by energizing small and micro-enterprises. Substantial progress has been made on a number of vital reforms to ensure that Egypt continues to strengthen its role in the global economy.

Today, Egypt has entered a new economic era as an emerging market economy. It is time to consolidate these gains, accelerate growth even further, and focus on equitable development. Jobs must be created the environment defended, and these benefits broadly shared among Egyptians. Focusing on the U.S.-Egyptian Partnership for Economic Growth and Development, the United States Agency for International Development (USAID), together with the Government of Egypt (GOE), has developed a new strategic plan that shifts the bilateral economic relationship from one based on aid to one based on trade and investment. This new plan reflects Egypt's emerging-market status, integration into the global economy, and a mutual interest in stronger U.S.-Egyptian private sector relationships.

Increasing investment in Egypt, both domestic and foreign, is the key to accelerating economic growth and to generating new jobs. Further reforms are needed to make Egypt more attractive to potential investors. Improved protection of intellectual property rights and copyrights can help to attract U.S. high-tech firms. Also, increased privatization of state companies and rejuvenation of the financial sector will attract investment and new technology from all corners of the globe.

Egypt should take some steps to enhance and expand bilateral trade relations. More reduction of tariff barriers and more upgrading of import and export-related services at Egypt's ports are needed. The USAID assistance program that has cooperated with the government of Egypt to compliment and support its vision for economic development along the past two decades under revision to accommodate Egypt's current economic growth plans. As Egypt strengthens its role in the global economy, trade and investment in Egypt will increase while the role of economic assistance will decline. ”

With the U.S. policy shift towards Egypt “From Aid to Trade” and the reduction of assistance, a Free Trade Agreement (FTA) is only the natural progression at this stage and is encouraged to smooth the transition in policy. An FTA with the U.S. will capitalize on Egypt's favorable business environment and strong U.S. presence in the economy. Furthermore, if properly crafted, an FTA is a complement to Egypt's trade liberalization and outward orientation and will act as a further stimulus for economic reform in Egypt.

Traditionally, trade between the two countries has been highly concentrated in a few categories. The benefit of an FTA to Egypt would be to deepen exports horizontally across non-traditional export categories and vertically in terms of higher aggregate levels. By generating growth, trade liberalization export orientation multiplies the purchasing power of Egypt, which not only benefits Egypt but also benefits American businesses, farmers, workers, and consumers. Egypt is a major market with growing opportunities for U.S agricultural, manufactured exports and services. Indeed, an FTA would increase the Egypt-U.S. trade balance in favor of the United States, depending on the form of the agreement.

Since Egypt-U.S. trade flows are clearly asymmetrical, the benefits of a proposed agreement will be likewise.

Thus, the case for considering an FTA between the U.S. and Egypt rests on solid economic and political grounds. An agreement could help promote Egyptian economic reform and growth, helping achieve USAID's strategic object, while providing substantial economic benefits to the U.S. Politically, it will strengthen American ties with an ally who plays a crucial role in hoping to achieve peace in the region and maintaining stability. Such an agreement would also have manifold significance: through increasing trade ties with Egypt, the United States would signal its readiness to further step up its economic relations so to be more on par with political relations. Hence, an FTA between Egypt and the U.S. is of mutual benefit to both countries.

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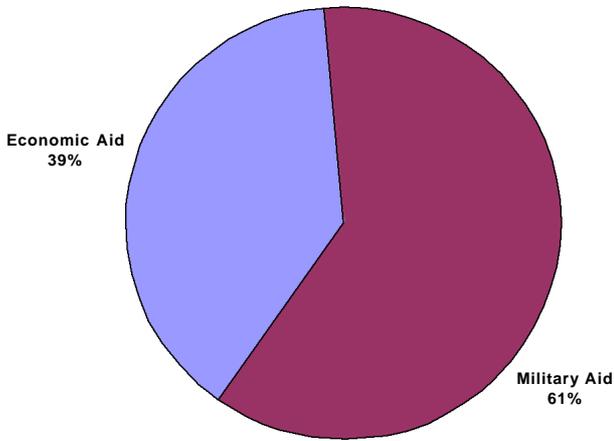
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# Appendix:

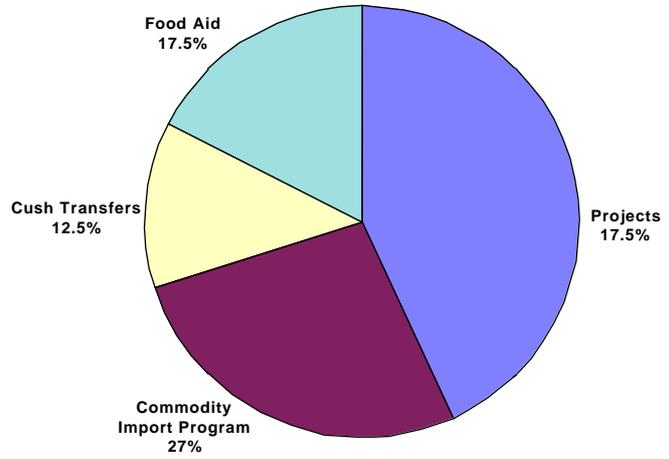
**Figure 2.1**

Allocation of US Annual Aid Package to Egypt



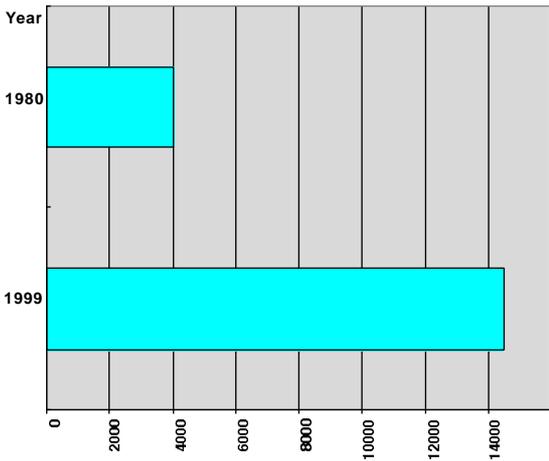
**Figure 2.2**

Allocation of US Economic Aid to Egypt Among Different Programs



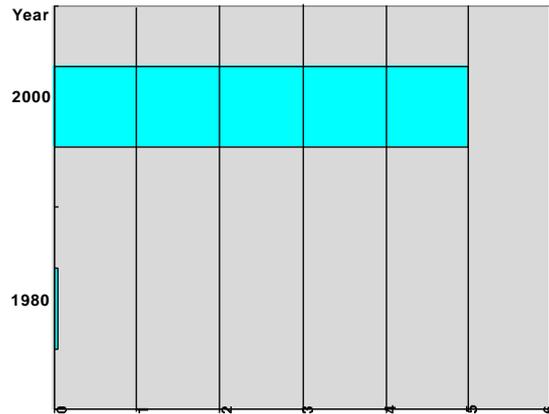
**Figure 3.4**

Installed Electric Power Capacity from 1976 to 1998



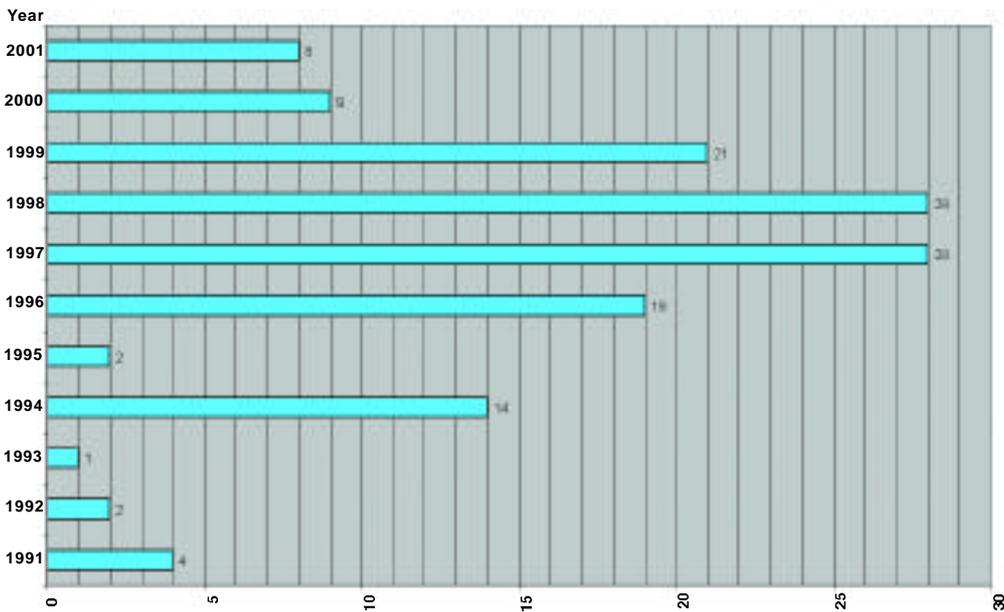
**Figure 3.5**

Number of Telephone Lines in 1980 and 1998



**Figure 3.6**

Number of Privatized Companies from 1991 to 2001



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