PD-AAQ-865
ISN 38742

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Control Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
Commodity Import Program	NA	USAID/Cairo

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 85-11

☐ REGULAR EVALUATION ☒ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY____ B. Final Obligation Expected FY____ C. Final Input Delivery FY____	A. Total $2.8billion B. U.S. $2.8billion	From (month/yr.) 1/75 To (month/yr.) 12/84 Date of Evaluation Review February 1985

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. The appropriateness of CIP imports vis a vis other USAID assistance objectives should be determined at the time of the negotiation of the program.	IS/CMT DPPE/PAAD	NA
2. Continue progress on implementing efficiency measures in 1984 and 1985 PAAD, (pp. 7-8), and others identified in the course of implementation.	IS/CMT	NA
3. Arrange for verification of training, planning and other preparatory steps for imports of large capital equipment.	IS/CMT	6/85
4. Limit USAID involvement in programming of local currency generations to identifying recipient projects and amounts.	AD/DPPE AD/FM AD/IS	3/86
5. Standardize reporting of the end-use audit system.	IS/CMT FM	1/86
6. Upgrade the CIP Arrival Accounting System by:		
a. obtaining and installing an updated operating system release;	DMS	9/85
b. revise the system in the context of ongoing maintenance;	DMS	NA
c. provide step by step instructions for access and use of the system in the user documentation; (cont.)	DMS	9/85

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- ☐ Project Paper
- ☐ Financial Plan
- ☐ Logical Framework
- ☐ Project Agreement
- ☒ Implementation Plan e.g., CPI Network
- ☐ PIO/T
- ☐ PIO/C
- ☐ PIO/P
- ☐ Other (Specify) _____
- ☐ Other (Specify) _____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. ☒ Continue Project Without Change
- B. ☐ Change Project Design and/or ☐ Change Implementation Plan
- C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

12. Mission/AID/W Office Director Approval

Signature

Typed Name

Date

AID 1330-15 (3-78)

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Control Symbol U-447

1. PROJECT TITLE

2. PROJECT NUMBER

3. MISSION/AID/W OFFICE

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)

☐ REGULAR EVALUATION ☒ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES

A. First PRO-AG or Equivalent FY____

B. Final Obligation Expected FY____

C. Final Input Delivery FY____

6. ESTIMATED PROJECT FUNDING

A. Total $ _____

B. U.S. $ _____

7. PERIOD COVERED BY EVALUATION

From (month/yr.) _____

To (month/yr.) _____

Date of Evaluation Review

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
d. expand the system to serve as a management information system.	DMS	NA
7. Examine feasibility of allowing importers to require money-back warranties.	IS/CMT AID/SERCOM	6/85
8. Apply lessons learned from this evaluation to future CIP allocations.	NA	NA

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- ☐ Project Paper
- ☐ Financial Plan
- ☐ Logical Framework
- ☐ Project Agreement
- ☒ Implementation Plan e.g., CPI Network
- ☐ PIO/T
- ☐ PIO/C
- ☐ PIO/P
- ☐ Other (Specify) _____
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10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

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C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

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LJameson, DIS 3/12/85
WGill, IS/FI
DCarr, DPPE/PAAD
DPressley, AD/IS
JConly, DPPE/PO
TMcMahon, AD/FM 4-11-85
GLaudato, AD/DPPE
AHandly, DD

12. Mission/AID/W Office Director Approval

Signature

Typed Name: Frank B. Kimball, DIR

Date

AID 1330-15 (3-78)

NEAR EAST EVALUATION ABSTRACT

PROJECT TITLE(S) AND NUMBER(S)	MISSION/AID/W OFFICE
Commodity Import Program (CIP)	USAID/Cairo

PROJECT DESCRIPTION

The CIP is intended to ease the GOE problem of finding foreign exchange for equipment and raw material import requirements of Egypt's public sector enterprises and for satisfying major consumption needs of the populace.

AUTHORIZATION DATE AND U.S. LOP FUNDING AMOUNT	PES NUMBER	PES DATE	PES TYPE
$ 2.8 billion	85-11	February 1985	[X] Regular [ ] Other (Specify)
			[ ] Special
			[ ] Terminal

ABSTRACT PREPARED BY, DATE	ABSTRACT CLEARED BY, DATE
NShafik, DPPE/PAAD February 1985	WGILL, IS/CMT Feb. 1985 JSuma, IS/FM DCarr, DPPE/PAAD

This evaluation of USAID's $2.8 billion Commodity Import Program (CIP) was performed in two stages. The first phase data collection effort was performed by a local consulting firm and the second phase analysis was done by a US firm with participation by the US Bureau of the Census. The purpose of the evaluation was to assess the extent to which the broadly defined objectives of the program have been met, to determine the nature of the problems that have confronted the GOE and USAID in implementing the program, and to recommend how the program might be modified to improve its effectiveness and to gain maximum development impact. The team used six different structured interview forms to test eleven hypotheses about CIP economic, developmental, and political impact. The report also includes an evaluation of the CIP Arrival Accounting System.

The report traces the history of the CIP from its origins as a program intended to have substantial impact over a reasonably short time to assist in relieving Egypt's balance of payments deficit. Through some 4400 transactions, the CIP has financed food commodities, industrial machinery, raw materials, semi-finished prodcuts, and spare parts. The team reports that the program seems efficiently managed and, given the profusion and complexity of CIP objectives, time and resource constraints, the CIP has a "remarkable record of success." Although the CIP has had an increasingly small effect on Egypt's balance of payments deficit, it has helped in preventing its further deterioration. The team also identified generally positive impact on the GOE budget, employment, import substitution, and backward and forward linkages, with no major adverse effect on income distribution and equity. The CIP contributed to 15 out of the 16 priority economic sectors identified in the GOE's Five Year Plan.

The report provides several recommendations to improve the management of the CIP and to assist in meeting its many, and often conflicting, objectives. Clear guidance should be given to technical divisions on their review of CIP procurements to insure that they are supportive of USAID's other assistance goals. "Project-like" packaging of selected transactions should be encouraged before hand with adequate resources to monitor progress. USAID should disseminate information about CIP more widely. Continued progress should be made in implementing the efficiency measures listed in the 1984 PAAD. USAID involvement in programming Special Account funds should cease after the joint decision is made concerning which AID-financed projects are to receive the funds. Arrangements should be made to verify training, planning and other preparation steps when imports of large capital equipment are proposed. The end-use audit system should be expanded slightly and standardized.

The report also identifies many lessons learned and makes recommendations for future evaluation efforts. A greater emphasis should be put on planning, priorities should be set in the scope of work, USAID should have at least one representative on the team, the participation of host country nationals is essential, and more time should be given to evaluations of this magnitude.

XD-AAQ-865-A
ISN: 38743

Commodity Import Program In Egypt
1975 - 1984

A Review and Assessment

Development Associates, Inc.
Price Waterhouse Khattab
U.S. Bureau of the Census

December 1984

4

AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID COMMODITY IMPORT PROGRAM IN EGYPT, 1975-1984

A REVIEW AND ASSESSMENT

Development Associates, Inc.

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U.S. Bureau of the Census

December 1984

5

TABLE OF CONTENTS

Introduction i

Acknowledgement ii

Abbreviations iii

Executive Summary viii

Chapter I. Purpose I-1

Chapter II. Background II-1

Chapter III. Methodology III-1

Chapter IV. CIP/AA System IV-1

Chapter V. Data and Analysis V-1

Chapter VI. Conclusions and Recommendations VI-1

Chapter VII. Alternatives VII-1

Appendices

A. List of Interviews

B. Summary of Interviews

C. Bibliography

D. Statistics and Graphs

E. Project Team Members

INTRODUCTION

Since the January 1975 signing of the first Commodity Import Program (CIP) Grant Agreement between the governments of Egypt and the United States until the present, close to $2.8 billion worth of agricultural commodities, raw materials, machinery, medical supplies, electronic equipment, railroad rolling stock, and scores of other commodities have arrived in Egypt through some 4,400 transactions. CIP Egypt is AID's largest extant commodity import program.

During that period, the CIP in Egypt had been subject to audits and inspections by AID's Office of Inspector General and the General Accounting Office. But the total impact of the program in its many manifestations had not been evaluated; a fact noted by GAO in its February 29, 1984 report submitted to the Administrator of AID. An evaluation of the Egypt CIP was jointly requested through USAID/Cairo and the GOE Ministry of Investment and International Cooperation (MIIC) (now the Ministry of Planning and International Cooperation (MPIC)).

Originally planned as a two-phase Egyptian-American evaluation, the contract for the data collection phase was awarded to Price Waterhouse Khattab of Egypt. Development Associates, Inc. of Arlington, Virginia received a task order from AID in Washington to carry out the second phase of work under its Indefinite Quantity Contract No. PDC-I-13-3077-00. The second phase was to cover analysis of the data collected in Phase I and subsequent evaluation of the overall impact of the program.

7

Work on Phase I began in Cairo in early March; Phase II began in mid-April with the arrival in Cairo of the Development Associates two-person team and a U.S. Bureau of Census evaluation expert. Overlapping responsibilities and unexpected time constraints required a larger than anticipated joint effort to complete the collection of data, carry out the analysis, and draft the report.

The purpose of an impact evaluation such as this is not to cover the same ground as an audit or investigation. Rather, it measures in both qualitative and quantitative terms the effect, influence, and impact of the program within the framework of its stated objectives. Unlike a discrete project, a commodity import program over its life may, and often does, alter those objectives to meet changing circumstances. Such has been the case with CIP in Egypt, a fact which has added to the complexity and therefore the challenge of this evaluation.

In carrying out the scope of work, data was developed by generating ad hoc reports from the CIP/Arrival Accounting System data base, examining secondary statistics, and interviewing program administrators and participants (banks and recipients of commodities) in both the public and private sectors.

The team analyzed that data and developed its findings and conclusions accordingly. Emerging from the findings and conclusions are recommendations for further strengthening and improving the program.

An initial draft of the report was given to USAID on May 18, prior to the team's scheduled departure from Cairo. Interested members of the USAID staff were briefed on the same day.

Upon their return to Washington team members briefed AID/W staff and discussed methodology and suggestions for future CIP evaluations with members of the PPC and NE evaluation staffs.

The USAID sent its written comments in mid-June. It noted the paucity of data supporting the conclusions concerning the developmental impact of the CIP, both on a micro and macro level. As a result, amendments to both contracts were made, allowing additional time for carrying out and analyzing interviews. This final report includes that data. The USAID comments, along with the discussions with Washington officials, have proven valuable in rewriting and revising major portions of the report. Consequently, the final version is submitted as a distinct improvement over the draft.

An evaluation of the USAID's CIP/AA system is included as Chapter IV; it was not in the draft report.

The report reflects the views of the authors but not necessarily the views of the U.S. Bureau of the Census.

ACKNOWLEDGEMENT

As can be seen from the list of the persons and organizations interviewed, there are many who have contributed to this effort. We wish to single out for our special thanks, without in any way detracting from the efforts of those that space does not permit us to name:

- His Excellency Dr. Wagih Shindy, Minister of Investment and International Cooperation and Mr. Michael Stone, Director, USAID/Cairo, for their support of this joint effort
- Mr. Abdel Salam Zaki, Director of American Aid--MPIC, who opened many doors for us in the Egyptian public sector
- Mr. Terrence McMahon, Controller USAID/Cairo, who authorized access to USAID's management information system
- Mr. William Gill, Mr. Robert Van Horn, and the Commodity Management staff in Cairo
- Mr. James Suma and Mr. William Binns of USAID's Office of Private Finance, all of whom gave generously of their time to provide valuable insights and information about both programs
- Mr. Homi Jemshed of the Controller's Office whose knowledge of the Special Account was cogent and detailed
- Ms. Emily Baldwin, formerly USAID's Evaluation Officer, our project officer in Cairo, and her associate Ms. M. Shafik, whose follow-on comments and cooperation were extremely helpful

This was a joint Egyptian-American undertaking which could not have succeeded without the contributions of our two Egyptian economists, Dr. Dyaa Abdou and Dr. Riad Emarah. Their outstanding economic and statistical abilities were matched only by their

insights into Egyptian traditions, both cultural and professional, so generously shared with us.

The physical production of the initial draft submission was made possible by the untiring efforts of Mr. Shapon Abdur Rahman on the word processor.

Finally, for making our work in and out of the Price Waterhouse Khattab office efficient and comfortable during regular hours, holidays and at nights, our heartfelt thanks to Magda, Hassan Asam, Sayed, Mustafa Soliman and Mustafa Aref. To all of them, "Shoukran gaezilen".

Stanley Siegel
Team Leader
December, 1984

ALPHABETIC LISTING OF ABBREVIATIONS AND ACRONYMS USED IN THE REPORT

AID	- Agency for International Development
AID/W	- Agency for International Development/Washington, D.C.
BHN	- Basic Human Needs
BOP	- Balance of Payments
CCC	- Commodity Credit Corporation
CDSS	- Country Development Strategy Statement
CIF	- Cost, Insurance, and Freight
CIP	- Commodity Import Program
CIP/AA	- Commodity Import Program/Arrival Accounting System
CMT	- Office of Commodity Management, USAID
DA	- Development Associates, Inc.
DIB	- Development Industrial Bank
ESF	- Economic Support Funds
FOB/FAS	- Freight on Board/Free Alongside Ship
FR	- Financing Request
FY	- Fiscal Year
GAO	- U.S. General Accounting Office
GASC	- Government Authority for Supply of Commodities
GDP	- Gross Domestic Product
GNP	- Gross National Product
GOE	- Government of Egypt

ALPHABETIC LISTING OF ABBREVIATIONS AND ACRONYMS USED IN THE REPORT (continued)

GOFI	- General Organization for Industrialization
IFB	- Invitation for Bids
IMF	- International Monetary Fund
L/C	- Letter of Credit
L/COM	- Letter of Commitment
L.E.	- Egyptian Pounds
MIIC	- Ministry of Investment and International Cooperation
MPIC	- Ministry of Planning and International Cooperation
MOV	- Maintenance of Value
PCP	- Production Credit Program
PID	- Project Identification Document
PL	- Public Law
PWK	- Price Waterhouse Khattab
RNC	- Reconstruction and New Communities
TFF	- Trade Financing Facility
U.S.	- United States
USAID	- United States Agency for International Development --Country Mission

13

EXECUTIVE SUMMARY

Purpose and Scope of the Evaluation: This evaluation of AID's almost ten-year-old three billion dollar Commodity Import Program (CIP) in Egypt was requested by both USAID/Cairo and the Government of Egypt. The purpose was to assess and analyze the extent to which the broadly defined objectives of the program have been met during its existence, to determine the nature and size of the problems which have confronted both the GOE and USAID in implementing the program, and to recommend how the procedures or nature of the program might be altered or modified to improve its effectiveness and gain maximum developmental impact.

The evaluation was done jointly by one U.S. and one Egyptian firm with the assistance of a specialist from the U.S. Bureau of the Census. Apart from published data, major reliance was placed on the results of interviews with participants in the program. Opinions were also solicited from GOE and USG officials in Cairo and Washington. The CIP, the local currency Special Account, and the USAID's arrival accounting system were reviewed, but the new private sector import program, the Production Credit Project, was not evaluated. A separate topic for future analysis should be the GOE's CIP dollar allocation process.

The Framework. The CIP for Egypt was born of the economic woes facing Egypt in the aftermath of the 1973 War and the burgeoning political rapprochement being effected by Egypt, the United States, and Israel. It was designed to meet Egypt's then perilous balance of payments deficit and worsening foreign exchange position and to support a moderate political regime. It began as a loan program through which both the public and private

sectors imported needed raw materials, capital goods, and some consumer goods from the United States. In 1981 the program became exclusively the domain of the public sectors and became an all-grant program as well.

After it was converted, a local currency Special Account was established to receive the Egyptian pound equivalent of the dollars expended through the program. An accounting system is now being designed to help both governments account for Special Account receipts and disbursements.

Economic conditions in Egypt since 1974 have markedly improved, but still show signs of fragility. Imports now total $9 billion annually, and other foreign investment and assistance has helped ease the balance of payments deficit. Foreign exchange earnings are up. Import substitution is on the increase, but a dramatic exodus of the populace from the countryside to Cairo and Alexandria is putting enormous strains on those cities' overstretched resources and adding to the ever present underemployment problem. In addition to USAID's annual $300 million CIP and $750 million project portfolio, Egypt garners over $1.7 billion annually in assistance from bilateral donors, the World Bank and UN agencies. It is now in the midst of consultations with the International Monetary Fund.

Politically, Egypt has maintained a stable moderate government with a good mutual working relationship with the United States. It successfully weathered the Sadat assasination and other Arab countries' efforts to ostracize it from their circles. It faces major concerns on its western borders but is now back in possession of the Sinai and maintains diplomatic relations with Israel.

Evaluation Findings--Economic. There is strong evidence that the timely and swift U.S. intervention in FY 1974 with the CIP materially eased the GOE balance of payments deficit and helped instill confidence in the business and import community. As other investment and assistance assets began flowing in later years, the role of CIP became less apparent in terms of the actual balance of payment and foreign exchange problems. It became more indirect and psychological, but nonetheless important. Its role in the last few years can be characterized as one of providing a safety net while offering the GOE an opportunity to continue to import vital and needed commodities from the United States. Because the balance of payments situation remains tenuous and subject to wide variations, the continued presence of the program or an appropriate substitute undoubtedly has an ameliorating effect on economic concerns.

--Political. A direct concomitant of the economic confidence engendered by the CIP has been increased political stability and the continuation of moderate policies pursued by the GOE. A sudden curtailment or sharp reduction of the program without concomitant increases elsewhere in the USAID program could have detrimental political effects.

--Development. Assessing the overall developmental impact of the CIP has been difficult: the numerous interviews give solid evidence of a positive effect on specific firms and in certain sectors such as health, municipal services, housing, food security and transportation. But without far more data on such items as employment, prices, factory output, service levels, agricultural output, and the time to analyze such data, it will be difficult to measure developmental impact of a CIP as large and diffuse as this one. There must also be agreement on what is meant by development. Donors, including the United States, view

development in narrower terms than do donees, who tend to view general economic advances as indicators of development.

--Management. The program has been managed with efficiency and dispatch under a rather restrictive set of regulations imposed over the years. The FY 1984 PAAD for the program contains a comprehensive list of steps to be taken which, if implemented by the USAID and GOE, will improve the program even more.

But the USAID must now face up to longer term systemic problems arising from the changing role of CIP. There is pressure from within AID and from the Congress to make CIP more development oriented. USAID/Cairo is not yet of one mind on how to effect and implement such change. There is also evidence of a tendency to use the CIP's relatively fast reaction time to import commodities on a turnkey basis to avoid careful project planning and established project implementation procedures. This tendency needs more high level examination by Mission management.

The USAID arrival accounting system has a plethora of data stored but needs considerable upgrading to make it a more effective management device.

Finally, the team was tasked to examine possible alternatives to the CIP. High on the list (and the only one examined) is some form of cash transfer. Because of the political implications the report does not contain a specific recommendation on the issue, but discusses at length the advantages and disadvantages of partial and total cash transfers. The analysis may be helpful to both governments when the subject is being actively considered.

Recommendations. Major recommendations in three areas are summarized below.

A. Substantive (Chapter VI)

1. USAID should clarify its policies rationalizing CIP imports with its other assistance objectives, including criteria and response time.

2. "Project-like" packaging of selected transactions should be encouraged before problems arise, with adequate resources provided to monitor progress.

3. USAID should consider ways to increase the flow of information to the public about CIP and the Production Credit Project.

4. AID/SER/COM should examine the feasibility of allowing importers to require money-backed warranties for equipment and machinery purchased through CIP.

5. USAID should take appropriate measures to monitor the observance of the steps listed in the FY 1984 PAAD as leading to increased efficiency of the CIP.

6. USAID should arrange for AID personnel to verify GOE training, planning and other preparatory steps when imports of large capital equipment are proposed.

7. An appropriate accounting system for the Special Account should be designed.

8. USAID should, on a priority basis, formulate a policy for determining when CIP transactions should be treated on a "project-like" basis or when they should be removed from CIP and made regular USAID projects, taking into consideration USAID staffing constraints.

B. Recommendations for Future Evaluations (Chapter III)

1. Place greater emphasis on evaluation planning.

2. Establish priorities within the scope of work.

18

3. A USAID representative should participate in the evaluation process.

4. Host country nationals should be included on the evaluation team.

5. The time allocated to conduct a CIP evaluation must be appropriate to the task.

C. Recommendations for Improvement of the Arrival Accounting System (Chapter IV)

1. System software

   a. Obtain and install an updated operating system release.

   b. Revise the system security. At a minimum, revise applications and file level security.

2. Application Software

   Revise the CIP/AA system, giving consideration to logical database design and to provision for transportability to other programs with USAID/Cairo or other missions.

3. Documentation

   Include as a minimum in the system documentation a system description, program documentation, and a maintenance guide. Provide in the use documentation step-by-step instructions for access and use of the system.

4. General

   Expand CIP/AA into a CIP/MIS (management information system) and dedicate a programmer to the CIP/MIS to implement the system expansion and keep the system current and adequately documented.

CHAPTER I. PURPOSE OF THE EVAULATION

Initially designed to meet relatively immediate import requirements and to redress balance of payments deficit, the CIP has taken on additional and more elusive objectives since 1975. For example, CIP now is charged with ensuring that import requirements are met in a manner which (1) facilitates a more efficient allocation of resources within the economy and (2) directly affects development.

To address those objectives, U.S.-GOE negotiations on CIP have focused on:

- The size of CIP
- Allocation of funding between the public and private sectors and within the public sector
- Conditions and terms under which CIP funds are made available
- The recording, use, and allocation of the Egyptian pounds proceeds derived from the sale of CIP imported commodities
- The extent to which USAId should participate in programming decisions regarding those proceeds

The purpose of this evaluation is to assess and analyze:

- The extent to which the broadly defined objectives of CIP have been met
- The nature and magnitude of problems which have arisen for both USAID and the GOE in attempting to meet them
- How the procedures and size of CIP might be modified to improve its effectiveness and maximize its development impact

CHAPTER II. BACKGROUND

Introduction

This section provides a description of Egypt's present economic situation as well as a framework within which to examine the impact of the CIP. It also contains in subsections (G) and (H) a history of CIP in Egypt and a description of the procurement process. Current develoments in the Egyptian balance of payments, budget, investment policies, international assistance, and political structure are discussed in this section.

The current political and economic situation in Egypt appears to justify the need for international assistance to improve balance of payments performance and to overcome major developmental constraints. Despite these constraints, the economy has shown its capability to use foreign aid to overcome short-term economic difficulties and to merge it with long-term development planning.

The Egyptian economy has for some time faced deeply rooted problems that limit the achievement of high economic growth rates. During the 1960-1970 period, it achieved a 4.3% average nominal annual growth rate in gross domestic product (GDP). This rate increased to 7.4% during the 70's, but has been slightly lower in the early 80's.

Improvement in the performance of the economy is influenced by the Government's ability to deal with serious structural constraints such as population growth, the mounting food deficit, partial price policies, and inadequate investment and trade

policies. The pervasive cost-price imbalance seems to have long-term unfavorable results by distorting investment decisions, encouraging excessive consumption, inhibiting productivity, and discouraging production for export. These problems also partly explain the character of Egypt's balance of payments performance. The following illustrates these points.

A. Imports and the Balance of Payments

In 1982/83, the current account deficit reached $1.73 billion. While Egypt's receipts from commodity exports were $3.5 billion in that year, they were outstripped by the growing imports that totalled $8.3 billion. These imports included food commodities, raw materials, capital goods, and other products not manufactured locally.

Food imports alone represented over 25% of total imports and were valued at over $2 billion in 1982/83. During that same year, service exports, such as workers' remittances ($3 billion), tourism ($600 million), and Suez Canal earnings ($957 million), played a major role in covering Egypt's trade deficit. Those earnings, however, are now levelling off. The remittances from Egyptians working abroad are expected to plateau due to slower economic growth in the Gulf States and expanded local training programs in that area. Of the required balance of payments financing during the 1980-1983 period, direct investment represented about 17%, suppliers' credits 34%, and international assistance about 49%. Considerable effort and difficult policy reforms are necessary to improve Egypt's balance of payments performance and place the country's development process on a higher and on a more self-sustaining basis.

B. Revenues vs. Expenditures

The Goverment's revenues have recently increased due to somewhat higher taxes, better enforcement of tax laws, increases in Suez Canal tolls, and oil exports. Rising revenues, however, have been offset by growing expenditures due to inflation, public sector employment policy, and substantial subsidy allocations. The gross budget deficit increased from L.E. 1.2 billion in 1976 to about L.E. 5 billion in 1982/83. This deficit represents about 20% of the GDP. The net deficit to be financed through the banking system is about 5% of the GDP.

C. Public vs. Private Sectors

The public sector in Egypt still dominates the economy. Its expenditures currently represent over 65% of the operating and investment budget and it employs about 30% to 40% of an estimated 12 million person labor force. For the current Five Year Plan, the public sector's share of investment is projected to be 77% of the total.

Egypt's service and agricultural sectors are predominantly in private hands, while most industry is in the public sector. Approximately two-thirds of the total industrial production in the early eighties came from the public sector. Since the inception of the Open Door policies in 1974, the private sector's share of industrial output has increased from 23% to 33% as of 1983.

During the 1970-1975 period, investment by the private sector represented only 8% of the total national investment. This percentage increased to 10% during the 1975-1979 period, and to approximately 18% by 1981. The Egyptian government is hopeful

that the private sector's share will increase to 23% of national investment during the 1982/83 - 1986/87 period. During the 1974-1981 period, about L.E. 7.24 billion of proposed investment by the private sector was approved, but only 17% of that amount was devoted to projects that had actually started production.

D. Egyptian Foreign Exchange Rate System

The Egyptian foreign exchange rate system often complicates the handling of international transactions. On January 1, 1979, the GOE abandoned the "official" rate of exchange (U.S. $1.0 = L.E. 0.39) in favor of unitary exchange at the then "parallel" rate of exchange (U.S. $1.0 = L.E. 0.70). The Exchange Control Department of the Ministry of Economy helped to bring about the change by issuing regulations to be implemented by the Central Bank. On August 1, 1981, the buying and selling rates for the U.S. dollar were set at L.E. 0.83168 and L.E. 0.84 per U.S. $1.00, respectively. New foreign exchange regulations were introduced in April 1984. These regulations aimed at achieving a single exchange rate in the Egyptian market. However, the multiple exchange rates still exist and further improvement seems to be required.

E. Current Economic Objectives

The current Social and Economic Development Plan sets out the economic objectives and investment targets for 1982/83 - 1986/87. Objectives for the public sector are fairly specific but are set forth only in general terms for the private sector. The plan aims at achieving an ambitious 8% real annual growth rate in GDP. The investment allocated totals L.E. 33.5 billion in 1981/82 prices. L.E. 27.2 billion is to be invested in the public

sector. Table II-1 depicts the percentage breakout of this amount:

Table II-1

AGGREGATE INVESTMENT TARGET (1982/83 - 1986/87)

Public Sector	Percentage of Total Investment
Industrial and mining production	25%
Agricultural production	8%
Electricity	8%
Other public utilities	8%
Housing	13%
Transportation	17%

The current political and economic climate in Egypt seems favorable. The government appears to be urging democratic decentralization of decisions. Domestic and foreign private investment are policy objectives pursued by the Mubarak government. The Open Door Policy as enunciated by Law 43 of 1974 (concerning the investment of foreign and Arab Funds and the free zones as amended by Law 32 of 1977) remains the cornerstone of the government's efforts to attract foreign participation in Egypt's development. Domestic investors are now eligible, under Law 159, to receive the benefits accorded to foreign investors under Law 43. Public enterprise Reform Bill No. 97/183 enacted in 1983, was intended to improve performance in the public-sector companies. The GOE hopes for substantial expansion in agriculture and industry--sectors which are projected to be the promising areas of growth and expected to replace earlier foreign-source investment as it levels off in coming years.

F. Bilateral Economic Assistance--America's Predominant Role

Egypt is receiving international assistance from bilateral donors to assist in overcoming its serious balance of payments deficit and to achieve economic and social development and stability. Among these major donors are the United States, Japan, the Federal Republic of Germany, and the European Economic Community. Yet the U.S. remains the preeminent donor and source of financing. Between 1974 and 1983, the U.S. economic commitment to Egypt reached $8.52 billion. Under the existing program, the U.S. provides nearly $1.0 billion worth of civilian economic assistance each year. During the 1980-1983 period, U.S. assistance to Egypt represented roughly 63% of total international assistance received by Egypt applicable to current account deficit and amortization payments.

Egypt's total imports from the U.S. in the period 1980 to 1983 reached $2.807 billion, of which $1.851 billion (about 65%) was funded by the U.S. From 1974 to 1983 the U.S. financed $1.9 billion in PL-480 Title I and III commodities and over $2.3 billion under the CIP. During the same period, total value of U.S. commercial exports to Egypt amounted to $956 million, more than half of which were agricultural commodities. Meanwhile, Egypt's exports to U.S. reached $303 million in 1983, of which approximately 85% was crude petroleum.

G. The Commodity Import Program (CIP) in Egypt

The following provides an overview of the Commodity Import Program in Egypt and the evolution of the program's development over its decade long tenure in Egypt.

Since 1975 USAID/Cairo has committed nearly $3 billion for imports into Egypt through the CIP. The purposes of such funding are manifold.

Through the CIP financing mechanism, the United States has sought to promote economic and political stability in Egypt by supporting moderate leadership and encouraging greater domestic production, employment, and the availability of basic goods at affordable prices. The immediate aim of this program has been to provide rapidly disbursing balance of payments assistance to meet the necessary import requirements for sustaining production, consumption, and investment.

AID has also sought to ensure that import requirements for investment goods, raw materials, spare parts and equipment, and capital goods for Egypt's productive use are sufficiently addressed. The ultimate purpose of CIP is to facilitate a more efficient and effective allocation of the country's economic resources.

CIP funding has been available to many sectors of the Egyptian economy: governmental agencies and ministries, and public and private sector firms, but since 1981 private sector firms have not been included. Egyptian companies eligible for CIP funding are generally those covering the following fields:

- Production of foodstuffs, agriculture, irrigation, and industry
- Production services including transportation, communications, housing rehabilitation, construction, utilities, roads, and tourism
- Trade

- Production societies including productive cooperatives or private hospitals
- Private entrepreneurs such as doctors, engineers, accountants and agriculturalists

Law 43 companies are also eligible on a limited basis.

In 1982 the Production Credit Project was devised by AID to make U.S. commodities more accessible to the private sector, although it still draws upon funds obligated for CIP prior to 1981.

1. The Genesis of CIP

The AID program in Egypt owes it origins to Henry Kissinger's shuttle diplomacy following the 1973 War. The U.S. sought to encourage the peace process begun with the signing of the Sinai I agreement by Egypt, the U.S., and Israel through provision of economic and technical assistance.

A team sent to Cairo in April 1974 to determine what the U.S. might do if an AID program were initiated in Egypt, determined that a "non-project" program having substantial impact over a reasonably short time was necessary to assist in relieving the balance of payments deficit. The team initially identified programs and projects approximating $250 million. Among these the most significant were the Suez Canal clearance, reconstruction of the Suez area, and CIP.

The Agency implemented its first program loan in 1974 for the public sector. However, at that early date AID was also engaged in discussions with the GOE on how to include the private sector. Early implementation was extremely difficult. Each end user/

importer had to be informed about AID requirements; specifications as received from the end users were often rudimentary. Agreement was finally reached on "standard" terms and conditions for both Invitation for Bids (IFB) and AID policies for formal procurement procedures for the public sector.

The first CIP transaction, the financing of remote sensing equipment, was accomplished on an exception basis. AID authorized sole source procurement and arranged for the U.S. supplier to provide the required AID documentation.

2. The Evolution of CIP

AID began moving at a faster pace in 1976 when the program level reached $750 million. It increased CIP when project planning and agreements could not be completed. CIP funding totaled nearly half of the above figure for FY 1976 and was designed to finance essential requirements for agricultural and industrial machinery, equipment, spare parts, and other necessary commodities and services.

During this period, U.S. assistance was viewed as fostering political stability while supporting moderate economic development policies which would facilitate the establishment of permanent peace in the Middle East.

In 1977, AID obligated $440 million for CIP in Egypt. U.S. concern over Egypt's continued adverse balance of payments situation stimulated AID efforts to assist GOE in reducing its dependence on short-term foreign borrowing and to support a program of capital project investment to expand productive capacity.

Under CIP in 1979, priority items were food commodities, industrial goods, raw materials, and semi-finished products. Funding levels reached $300 million and $250 million for FY 1978 and FY 1979 respectively. From the CIP's inception through the end of FY 1979, $1.540 billion was obligated, roughly an average of $300 million a year. Approximately 1,200 transactions were completed and supply contracts signed. The letters of credit issued to U.S. suppliers reached $1.250 billion and one billion dollars was disbursed.

CIP funding for FY 1980 included traditional program financing for such imports as raw materials, semi-finished products, industrial machinery, equipment, spare parts, and some food items. Program loans for the year totaled $280 million and a grant of $55 million was also included. The CIP loan was increased by $50 million with an agreement by GOE to use an equal amount of its own foreign exchange to purchase additional fertilizer. This enabled the GOE to provide additional volumes of fertilizer through its own import programs; it also encouraged the distribution of additional fertilizer through private sector channels at reduced subsidy levels.

Egypt's balance of payments performance improved somewhat in 1980. Its current account deficit fell to approximately $500 million in 1980 from about $1.5 billion in 1979. In 1981, it was projected at $825 million. Of the AID-authorized $300 million in CIP grants/loans to Egypt for 1981, $25 million was allocated for the Trade Financing Facility (TFF) and $5 million for purchases of spare parts for the Ismailia Power Plant. The former allocation was viewed as assisting the GOE in improving its ability to finance purchases of higher priced U.S. imports.

Besides its designated role to help ameliorate Egypt's balance of payments, CIP increasingly became the AID instrument to provide direct financing for items not easily packaged as projects, such as small equipment and intermediate goods for use in industry, transport, health, and education. Prior to 1980, all CIP funds were loans to the GOE which mandated 10% to the private sector and the remaining 90% to public sector organizations. Since FY 1982, CIP has been administered on a grant basis. Commodities imported under CIP grant agreements have begun to generate counterpart funds, theoretically restraining inflation and at the same time meeting non-inflationary local currency requirements of projects.

There was an effort in 1981 to structure CIP into separate components involving long-term financing of capital equipment, intermediate financing of production/consumables, and support of the Trade Financing Facility. These areas comprised the $350 million allocated for the CIP in FY 1982.

Also emphasized were the Basic Human Needs (BHN) and transportation sectors (traffic control equipment, spare parts, railway equipment needs, and public transport vehicles).

The official balance of payments deficit for 1981/82 was approximately $2.1 billion which in turn dropped to $1.4 billion during 1982/83. FY 1982 funding attempted to increase the level of CIP to provide faster disbursing of balance of payments support. Although the level of average real growth in GDP had reached 9% in the late 1970s, it dropped in 1981, primarily in the petroleum and tourism earnings due in part to the softening of the world petroleum market and in the Suez Canal revenues due to slowed growth in world trade. The effects of this were offset

to a degree by marginal growth in the construction, private business, electricity, and domestic transportation sectors.

3. The Production Credit Program

During FY 1982 the entire private sector portion of CIP was converted to a project under a new activity directly addressing the needs of the private sector, called the Production Credit Project (PCP). While tentatively planned at an initial funding level of $50 million, it was authorized to disburse $68 million until the beginning of FY 1985.

PCP uses the same import mechanism as CIP yet with significant changes in attempted impact and orientation. PCP's orientation is toward investment in productive sectors with emphasis on capital investment coupled with project-type financing. PCP is expected to be an investment tool providing support for the private sector, with productivity a key issue.

In addition to the banks designated to handle CIP funds, PCP funds are also disbursed through the Arab Investment Bank, Egyptian American Bank, Chase National Bank, and Misr Iran Development Bank.

PCP project rules, with AID's Regulation One prevailing, were signed on September 25, 1982, and issued in 1983. Funding for PCP became available through the pipeline by August 1983. This emphasis should result in increased end-user transactions accompanied by tighter credit terms to traders.

4. Changes in Funding and Interest Rates

This was not the first time the GOE restricted credit terms to traders or "middlemen". In the early days of private sector CIP, trader predominance (85% of the total value of transactions) prompted the GOE to enact a variety of measures to counter this trend. Some of these included credit tightening, less advantageous term lending, and eventually the exclusion of a large number of items traditionally imported by traders.

Interest rates for CIP began at 2.5% over a three year repayment period or 5% over five years (money available at P.T. 70 = U.S. $1 with a 25% minimum downpayment). By mid-1980 five-year money was eliminated, an eligible trade list was drawn up by the Ministry of Economics with repayment percentages favoring end users (6%) over traders (10%). In addition, a maximum 25% down payment, instead of a minimum, was established at a rate of P.T. 84 = U.S. $1.

By January 1982, interest rates for end users and traders rose to 10% and 12%, respectively. These figures still apply to residual CIP funds in the pipeline. By comparison, public sector companies as of early 1983 were still able to obtain CIP funds at 5% to 10% with three to seven and one-half year repayment periods at an exchange rate of P.T. 84 = U.S. $1 (except GASC which obtains its U.S. dollars at a rate of P.T. 70 = U.S. $1 in cash).

FY 1983 witnessed a dramatic improvement in AID program implementation over that of the prior year. Combined CIP and project expenditures were up by 45% over those of FY 1982 while project expenditures alone were up by 60%. Such improvements were attributed to program maturation, full implementation of the

portfolio review process, and more aggressive monitoring by AID staff.

5. The Current Program

During FY 1983, over 50% of U.S. economic assistance to Egypt was provided under the CIP and PL 480 programs. Again, capital needs of the GOE development budget were stressed in that year's CIP's funding over the traditional balance of payments priority. In addition to corn, tallow, sulphur, coking coal, tobacco, wood pulp, polyester fiber, tinplate, and industrial chemicals, there was a shift to capital goods (machinery, equipment, spare and repair parts) and other items targeted toward modernization and enhanced efficiency; all of these efforts were designed to increase productivity of commercial and manufacturing ventures.

The proposed CIP funding for FY 1985 is $300 million. Financing is expected to continue to cover the above raw materials and capital goods items. Trade Financing Facility transactions are still eligible for CIP funding, however, no specific designation has been made for this area.

PCP has been authorized to disburse $68 million until the end of FY 1984/85. Traders are expected to continue to face tight credit control with only six-month term money (regardless of the type of goods imported) with a sizeable (40%) down-payment at 16% interest rates.

Further differentiation has been made in interest rates for end users in industry (13%), tourism and services (13-15%), and agriculture (11%). Additionally, new repayment terms were introduced for capital goods (up to 3 years), intermediate and light goods (up to 18 months) and raw materials (up to one year).

Moreover, the new maintenance of value (MOV) policy, requires repayment at the highest rate prevailing on the date payment is made, even though the exchange rate is currently pegged at P.T. 84 = U.S. $1.

H. USAID Authorization and Procurement Process for the Commodity Import Program

This section provides an overview of USAID's authorization and procurement process for CIP users.

1. Description of the Process

After the Congressional appropriation process is completed and AID/W authorization to proceed has been secured, USAID/Cairo prepares a Grant Paper which describes the proposed CIP and justifies it in political and economic terms. Although referred to by USAID/Cairo as the Program Assistance Authorization Document (PAAD), the PAAD is in fact a form which constitutes the first page of the Grant Paper.

The PAAD is submitted to AID/W for approval by the Administrator of AID. The Grant Paper includes a broad description of commodities to be financed and also cites a series of conditions to be met before disbursement (conditions precedent), along with a number of covenants. During the Grant Paper's preparation, MPIC draws up a list by Ministry or by other General Organization for Industrialization (GOFI) entities for the dollar amounts it proposes to allocate to them.

The conditions precedent and covenants approved in the PAAD and other terms and conditions of the grant are also set forth in the Grant Agreement prepared by USAID/Cairo. The Grant Agreement

is signed by the Ambassador and Mission Director for the United States and the Minister of MPIC and the Administrator of the Department of Economic Cooperation with the U.S. on behalf of the Government of Egypt. Implementation Letter No. 1 is issued by USAID/Cairo which names personnel in addition to the Director who may represent the Mission in carrying out the CIP activity. Implementation Letter No. 2 sets forth for the grantee detailed instructions and letters of understanding on how the Agreement is to be carried out. That letter also includes the Commodity Procurement Instruction (CPI) document which lists the commodities which are eligible for financing under the Agreement.

After the conditions precedent have been met, the MPIC prepares a more detailed listing of commodities by Ministry and arranges a series of meetings between USAID and the actual end user organizations to discuss their proposed procurement.

Since many of the end users will procure the same raw materials or equipment as they had in the past, the discussion between USAID and the end users may only be confirmation that they propose to utilize the same Invitation for Bid (IFB) used the previous year. In such a case USAID/Cairo can simply advise the AID/W Office of Commodity Management of this and the IFB can be issued. When the proposed procurement is a commodity not previously procured, the end user may propose detailed specifications or may request that AID develop them. If new specifications are to be developed, the work in some cases may be done by USAID/Cairo or, if beyond the technical capabilities available at USAID, the requirement will be sent to the Office of Commodity Management in AID/W. The specifications will be developed in AID/W either in-house or by contract and cleared with USAID and the end user. After the completion of the above, the availability of the IFB will be announced by AID/W and issued to

36

prospective bidders by the Egyptian Embassy in Washington. Suppliers submit their bids to the end user in Egypt. The IFB specifies the date, time, and place for the bid opening. Bidders' representatives, the end user, and an observer from USAID participate in the bid opening.

The importer (end user) analyzes the bids for responsiveness to the IFB and selects the successful bidder, i.e., that responsive and responsible bidder whose price is lowest for the equipment requested. The end-user informs USAID/Cairo of the proposed award and if there are no problems, the buyer is provided with a "no objection letter."

While the IFB process is taking place, USAID/Cairo prepares appropriate Financing Requests (FR) which are signed by USAID/Cairo and MIIC and forwarded to AID/W. On the basis of the FRs, AID/W issues Letters of Commitment (L/Com) to the bank against which the importers may open Letters of Credit (L/C). FRs are normally processed thirty (30) days after USAID/Cairo receives the necessary information identifying recipient banks and dollar amounts. Alternatively, if the procurement involves a large dollar amount from a single supplier, the preparation of the FR may be delayed until after the bids have been opened and an award made. The FR is then processed for a direct Letter of Commitment to the successful bidder. Copies of L/Coms issued are provided to the appropriate GOE Ministry.

After the supplier has been notified of an award he must post a performance guarantee. When that is done, the buyer requests the issuance of an L/C to the supplier against the bank L/Com previously issued. Alternatively, if the dollar value of the procurement is large and involves a single supplier, an FR is usually processed for the issuance of a direct L/Com by AID/W.

The supplier ships the commodities and the amount is normally paid in full upon presentation by the supplier of the bill of lading and other documents required by AID Regulation One to its bank in the case of the L/C, or to AID/W in the case of a direct L/Com.

Participating banks administering CIP funds include public sector commercial banks such as Bank Misr, National Bank of Egypt, Bank of Alexandria, and Banque du Caire as well as the Development Industrial Bank, a specialized public sector bank. The latter disburses CIP funds to the private sector only and deals exclusively with its established customers. Both the National Development Bank and the Principal Bank for Development and Agricultural Credit have handled CIP funds for clients who were not already in a banking relationship with the above five banks or who for some reason were unable to deal with the five designated banks directly. Other banks may obtain program access for their clients by arrangements with one of the above two banks.

End users may import any commodities listed on the "AID Commodity Eligibility Listing" whereas traders may only import those items listed in Circular No. 2/1982 which governs their participation. It is the responsibility of the participating banks to ensure importer compliance with the provisions of the circular. The banks determine the eligibility of the importers, commodities, and the transaction's priority in the bank's overall operations. CIP terms require that equipment procured be of U.S. source and origin. Repayment is made in Egyptian pounds.

The participating U.S. bank sends copies of the commercial documents (the bill of lading, invoice, packing list, and/or other documents provided for in the L/C) to the Egyptian bank

involved. If the buyer meets his local currency obligations to the Egyptian bank, the documents are released. This enables the buyer to clear the goods through customs and take possession of the material. In the case of a direct L/Com, the supplier is responsible for forwarding the necessary documents to the buyer. Under AID regulations, the buyer is expected to clear the goods "promptly," i.e., within 90 calendar days or such other time period as may be agreed upon.

2. A Sample Procurement: Refuse Collection Equipment for the Cairo Governorate

Background

The Cairo Governorate covers a geographic area of Cairo with a population of seven million. This area is distinguished from Greater Cairo which includes Cairo, Giza and Abassyia, an area with an estimated eleven million inhabitants. The Cairo Governorate produces 4,000 tons of refuse a day. Half of this is collected by private sector refuse collectors called, in Arabic, the "zabaleens". The zabaleens collect and recycle the refuse efficiently but to date can only serve approximately 1.5 million residences. The other half is served by the Governorate.

Through the CIP the Governorate has purchased refuse collection equipment--dump trucks, containers, and vacuum sweepers--to serve the half of the population not reached by the zabaleens. The following describes one procurement for refuse collection equipment by the Cairo Governorate according to the CIP Need-Delivery Timeline.

The Procurement Process

With the PAAD already issued, this transaction for refuse collection equipment was authorized under Loan No. 263-K-045. The agreement was signed on 27 February 1978, which established the Eligibility Date for the transaction. Implementation Letters No. 1 dated 19 April 1978, No. 2 of 28 April 1978, and No. 3 dated 5 May 1978 contained procurement approval and the Commodity Procurement Instruction.

The Invitation for Bids was issued on 31 May 1978. After the bids were opened and evaluated, the supplier was selected and the contract was awarded to Truxmore Industries of Richmond, Virginia. A "No Objection Letter" from AID approved the choice of supplier and the Financing Request was made. AID then issued a Letter of Commitment to the participating bank which in turn sent Letter of Credit No. 607793 to Truxmore authorizing funds for procurement.

The equipment was shipped from the U.S. on 27 September 1979 and arrived in Alexandria, Egypt on 20 October 1979. After off-loading and release from customs, the equipment was delivered to the Cairo Governorate.

The time from the signing of the Grant Agreement to arrival of the commodities in Alexandria port was approximately 568 days; from IFB to delivery, approximately 500 days.

I. Local Currency Special Account*

In accordance with Section 609 of the Foreign Assistance Act of 1961, as amended and as provided in the US/GOE Bilateral Agreement effective October 15, 1978, the GOE established a Special Account in the Central Bank. The GOE has been obliged to deposit into the Central Bank Egyptian pounds in amounts equal to proceeds accrued by the Government or any governmental agency resulting from the sale or importation of eligible items. The Special Account was established in conjunction with the FY 1979 Supplemental Commodity Import Program Grant.

The FY 1982 CIP agreement and subsequent agreements stipulated that in cases where credit terms are provided for imports under the CIP, deposits to the Special Account are to be made in accordance with the debt service schedule associated with those credit terms. Currently, the GOE requires the importers to make the down payments to the local bank before approving the financing request for approval of the Direct Letters of Commitment. The MPIC is now tightening its authority and procedures to expedite payment of overdue obligations on past transactions by applying various criteria, one of which is denying CIP financing to importers having arrearages outstanding for more than six months. In the case of transactions, deposits to the Special Account occur directly with the purchase of commodities.

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*Draft of the CIP agreement (263-K-607), 4 January 1984.

AID and GOE are to mutually agree on how the Special Account funds are to be used. The USAID carefully reviews the monthly Central Bank statements. At present these statements include details on all transactions in order to avoid recurrence of difficulties similar to the unauthorized transfer by the Ministry of Finance of LE 85 million and to ensure that all future withdrawals are authorized.

According to USAID records, $245 million in Egyptian pounds were deposited in the Special Account through March 31, 1984. The deposit of the funds and their subsequent use is not normally cited as a purpose of the CIP in Egypt. However, the legislation mandating the deposits, the language of the successive grant agreements, and the fact that the Special Account exists and its uses are subject to joint agreement of the two countries seems to argue for its inclusion in this evaluation.

CHAPTER III. EVALUATION APPROACH AND METHODOLOGY

A. Key Issues

The issues to be addressed in the evaluation were primarily dictated by the scope of work prepared by USAID/Cairo and partly derived through discussions with AID staff involved with the CIP in both Washington and Cairo. There were four major issues suggested by the above sources:

- impact of the CIP, 1975-84
- efficiency and effectiveness of CIP procedures
- conditions precedent and covenants of the CIP agreement and
- apropriate methodologies for future CIP evaluations.

Since the individuals involved with the CIP seem to view the program from a variety of perspectives, establishing the relative importance of these issues was determined largely by the evaluation team.

B. Questions and Propositions--quantitative and qualitative information

Each of the broad principal issues was defined more concisely by the evaluation team before the necessary information could be collected. Many of the sub-issues could be stated as propositions or hypotheses. Under ideal circumstances sufficient data could be gathered and the hypotheses would then be statistically tested. However, since there was a limited amount of data and time for such data collection and testing, the statements were

made in the form of propositions which could then be confirmed or denied by the evaluation team based on the information available to them. Other sub-issues were stated as specific questions which could be directly translated into items on an interview questionnaire. Attempts are made in this report to differentiate between conclusions based on solid quantitative data, those which represent the opinions of USAID CIP staff and Egyptian participants, and those which are strictly the opinions of the authors based on their five-week immersion in the program.

Starting from the four major issues, the evaluation team organized the propositions and questions in the following manner. The table below indicates the major proposition or questions (column 1), the sources of data (column 2), and methods used for information gathering (column 3).

Table III - 1

Major Propositions and Questions, Data Sources and Information Gathering Techniques

Proposition or Questions	Data Source	Method of Information Gathering
Economic Impact		
1. CIP has had a significant positive economic impact in Egypt.	USAID staff	Structured interviews
	GOE officials	Structured inteviews

Table III - 1 (continued)

2.	What is the nature of the economic impact?	USAID staff	Structured interviews
		GOE officials	Structured interviews
		Egyptian participants	Structured interviews
		Existing data GOE, USAID, etc.	Review of data
	Development Impacts		
3.	The CIP has had a substantial positive development impact in Egypt	CIP records	Review of records
		Egyptian participants	Structured interviews
		Existing data from GOE, USAID, etc.	Review of data
4.	What is the nature of this development impact?	CIP records	Review of records
		Egyptian participants	Structured interviews
		Existing data from GOE, USAID, etc.	Review of data
	Political Impacts		
5.	Has the CIP had significant political impact? Has there been a continuing policy dialogue?	USAID/Embassy Staff	Structured interviews
		GOE officials	Structured interviews
		Available information from any sources	Review of information

Table III - 1 (continued)

	Efficiency and Effectiveness of the CIP		
6.	The CIP compares favorably to other financing mechanisms available to importers.	Egyptian participants and banks	Structured interviews
		USAID staff	Structured interviews
7.	The CIP has been used to import an appropriate mix of goods to promote development.	CIP records	Review/Analysis of CIP records
		USAID staff	Structured interviews
		Egyptian participants	Structured interviews
8.	How can CIP procedures be improved?	CIP records	Review/Analysis of CIP records
		USAID staff	Structured interviews
		Egyptian participants	Structured interviews
9.	Is the current CIP system maintaining sufficient information to monitor and evaluate CIP?	USAID staff	Structured interviews
		CIP records	Review of records
	Conditions Precedent		
10.	Are the conditions precedent being met, particularly with regard to the Special Account?	USAID staff	Structured interviews
		USAID records	Review of records
		GOE records	Review of records

Table III - 1 (continued)

Evaluation Methodology

11.	What has been learned about the appropriate methodologies for CIP evaluation?	Evaluation Team	Review of procedures, materials, and methodologies

C. Information Gathering Methodology

1. Interviews

The evaluation team developed six distinct interview forms and conducted structured interviews with representatives from each of six groups involved with the CIP.

These interviews were usually conducted by two-person, Egyptian/American teams utilizing an interview form derived from the list of questions and propositions which were appropriate for each group. The interviews usually took from 30 to 90 minutes and in most cases the respondents seemed to be cooperative and frank. Whenever possible, the anticipated responses to specific questions were pre-coded during questionnaire design, so that they could be simply checked by the interviewer. Since many of the questions were necessarily open-ended, there was some chance of subjective bias by the team in interpreting the answers and attempting to arrive at a consensus of respondent opinions. Table III-2 presents the number of interviews and the representative groups included in the process. Appendix B contains a summary of the results of the interview process.

47

Table III - 2

Interviews Conducted as Part of the Evaluation

CIP Administrators Participants Interviewed	Number of Interviews
Egyptian Banks	3
Egyptian Government Ministries	5
Egyptian Government Agencies	2
Private Sector Firms	18
Public Sector Firms	22
USAID and Embassy Staff	24

2. Review of data in CIP/AA Management Information System

USAID/Cairo maintains a substantial amount of information on each transaction under the CIP in the CIP/AA Management Information System Files. The CIP/AA system tracks each transaction from the signing of the loan or grant agreement through the initial request for the commodity by the end user, the arrival of the commodity and, in some cases, a follow-up visit by USAID staff to check on its end-use. Approximately 70% of the dollar value of commodities which have been reported to have arrived have been "end-use checked."

In addition to reviewing regular files, documents, and CIP/AA reports, the team requested special analytical reports to be generated from the system. These reports were custom-programmed by Price Waterhouse Khattab. However, the limited time available

to access the CIP/AA data files was insufficient to generate the complete array of reports desired and specified for the evaluation.

3. Review of CIP Publications and Documents

Information on the economic status of Egypt and other topics was also reviewed by the evaluation team. This included the GOE's various economic reports and five-year plans, USAID/Cairo economic reports and a report from the International Monetary Fund. A bibliography of references used during the course of the evaluation is included in Appendix C.

D. Analysis of Data

The analysis of information gathered for this evaluation took three forms.

Where information was judged to be of sufficient quality and quantity, propositions were informally tested. When this was not possible, the evaluation team had the option of making or reserving informed judgement on the validity of the propositions or the answers to the various questions. Finally, the team or sub-groups of the team worked together to interpret existing data and synthesize interview responses.

E. Recommendations for Future Evaluations

The following is a list of the recommendations developed based upon experience gained during this evaluation.

1. Put Greater Emphasis on Evaluation Planning

There is little doubt that this evaluation could have been planned better, so that it could be conducted more efficiently. The "audience" for the evaluation report should be clearly established. Members of this group should work with the evaluation team members to establish major issues for the evaluation.

Where information was judged to be of sufficient quality and quantity, propositions were informally tested. When this was not possible, the evaluation team had the option of making or reserving informed judgement on the validity of the propositions or the answers to the various questions. Finally, the team or sub-groups of the team worked together to interpret existing data and synthesize interview responses. Principal team members should also be supplied with relevant reading materials on the CIP, the host-country, and the particular CIP to be studied well in advance of the study. These materials should include examples of all records and documentation available in Washington and the host country.

2. Establish Priorities within the Scope of Work

Most importantly, the evaluation team should be given clear guidance in the issues critical to evaluation of CIPs in general and in particular. In the case of this evaluation, USAID/Cairo provided a scope of work for the evaluation. However, this scope of work listed a large number of issues, all of which could certainly not be addressed carefully within the timeframe and with the resources allocated for this evaluation.

Future scopes of work should clearly indicate such issues in the order of priority to the mission and AID/Washington.

3. USAID Participation in the Evaluation Process

In conducting future CIP evaluations, it would be advantageous to have at least one USAID representative as a full-time member of the evaluation team. The USAID team member should participate in planning exercises as well as the evaluation itself. This would provide the team with quicker access to USAID personnel, pertinent files, and data. This could also allow interview scheduling with USAID personnel and CIP participants to be done in advance.

The USAID representative should be knowledgable of the CIP.

USAID staff could also assist by assembling information such as the following:

- Any and all information on program objectives
- Types of CIP transaction records available
- Economic data on the country
- Records of the status and use of the Special Account
- Annual reports on the most important banks, ministries, importers and firms over the life of the program
- Suggested persons and firms to be interviewed, with as many host country government officials as possible scheduled for interviews.

4. Include Host-Country Nationals on the Evaluation Team

This evaluation team was a mix of Egyptians and Americans. It would have been even more difficult to conduct such an evaluation without team members from the host-country.

5. Increase Time Allocated to Conduct Evaluation

The Egypt CIP is unique among CIPs because of the size and the amount of information available on its individual transactions. However, the lack of readily available information on program impacts is conspicuous and is shared with other CIPs worldwide. Given this lack of information, the evaluation would undoubtedly have benefitted from an additional month or more to conduct further interviews with Egyptian recipients and participants in order to cover a greater cross-section of those involved. Future CIP evaluation principal team members should probably allow two months in-country to conduct such an evaluation.

CHAPTER IV. EVALUATION OF CIP/AA INFORMATION SYSTEM

Purpose and Introduction

The purpose of this report is to describe the Commodity Import Program/Arrival Accounting (CIP/AA) information system and to make recommendations pertaining to its future use. The material is presented in a manner which will help illustrate the strengths of the system, while offering suggestions for revision of those areas where enhancement is indicated. A separately bound section entitled CIP/AA System Data and Analysis contains the data used in developing this report.

The report summarizes the available information pertaining to the CIP/AA information system and presents our evaluation, conclusions, and recommendations. Also included are statements of methodology, assumptions, definitions, and the data and analysis which were used in the preparation of the report.

The primary purpose of the CIP is to provide foreign exchange for the Government of Egypt for importation of specific commodities from the U.S. which will enhance development in Egypt. The goals of the program include rapid disbursement of funds, providing raw materials and capital equipment to industry, and easing the balance of payments deficit.

The CIP/AA information system provides automated tracking of the CIP transactions. The function of the system is to gather CIP data and distribute that data to interested parties, including Egyptian and U.S. Government personnel who manage the various aspects of the CIP. By providing appropriate information in the

proper format the system can enhance communication, provide the necessary data to decision makers, and thus increase the overall effectiveness of the CIP.

The WANG VS computer system provides a means for capture and storage of the CIP data and gives the user the capability to generate lengthy and highly complex reports which present the data in a timely and efficient manner. Ad hoc and special reporting needs can also be satisfied by the WANG DMS utilities. Without the automated CIP/AA system, complex analysis, reporting, and ad hoc queries would not be feasible.

Methodology

The methodology employed by this evaluation includes data collection and analysis.

- The data collection consists of gathering computer data, system and user documentation, conducting interviews, and collecting interview data.

- Analysis of the data included computer aided analysis of the CIP/AA application system and data and a review of the interview data and the system and user documentation.

- The computer analysis provided information on the following areas:

  -- Completeness of data

  -- Ease of use

  - Utilization of WANG VS system capabilities

-- Efficiency and accuracy of data entry and report modules

-- Data structures

-- Data redundancies

-- Data storage techniques

-- Information for the evaluation of the management of the CIP/AA information and the WANG VS systems.

- The analysis of the interview data included trend identification, identification of end user needs, and overall system acceptability and performance.

- Analysis of the documentation included determination of function and completeness and readability and provision of backup capability. Analysis of the documentation also included a review of the reports and data entry screens.

Assumptions

The following assumptions have been made in preparation of this report:

- That the reader has some familiarity with automated information processing systems and the associated terminology and with the Commodity Import Program.

Definitions

The following definitions are included to provide the reader with necessary background information:

- Wang Data Management System (DMS)--DMS is the WANG file access system. DMS uses index sequential access and provides access to its files via the Control, Data Entry, Report, and Inquiry utilities

- Control--The DMS utility which defines the logical file structure. Individual data elements in a file are defined by name, length, data type, and access characteriscics

- Report--The DMS utility which provides a means to generate column oriented reports. The Report utility uses the Control files for the logical data definitions, and generates a report definition file which can be processed repeatedly to produce reports.

- Inquiry--DMS utility which provides ad hoc file inquiry capability. The Inquiry utility uses the Control files for the logical data definitions, and generates an inquiry definition file which, when processed, returns the requested information.

Findings

Computer Hardware

- The computer hardware configuration at USAID/Cairo consists of a WANG VS 100 Super Mini Computer, four 75 megabyte disk drives, one 600 and one 300 line per minute printer, numerous workstations, and word processing printers, and various other devices.

- The hardware was well maintained and operable with a few exceptions; one 75 MB disk drive was giving intermittent problems and the 600 LPM printer failed during our evaluation.

- Online disk storage capacity of 300 megabytes is available on the system. Most of the available disk storage space was being utilized.

- The hardware environment was excellent. The computer room is glass enclosed and isolated from the surrounding area. It has raised flooring, adequate air conditioning, and locking doors. The printers are also isolated in a glass enclosed room with locking doors. The entire computer area was well organized and clean.

WANG System Software

- The WANG supplied software was all present and operating correctly. In addition, up-to-date USERSUBS and USERAIDS libraries were available.

- The operating system release was not the latest version. Later versions of the operating system offer many enhanced features which are not present on the currently installed release.

CIP/AA Application Software

- The CIP/AA Software is WANG Data Management System based. The majority of the functions are provided by the WANG DMS utilities--Control, Report, and Inquiry.

- The Control utility provides the logical view of the CIP/AA database. Control files for each of the data files are present and accurate.

- Alternative Control files were available on a limited basis, but the users were not given the authority to modify their own control files. Because the users were unable to access the Control utility, they had no ability to create their own logical view of the data files.

- Data type is not always consistent in the control files. There are several instances where dollar amounts are defined as character data. When this occurs, no calculations may be performed by the report utility.

- The control files contain some misleading field names and data structure definitions. What is described as a key to a file may be only a partial key and is of no practical use as a lookup key.

- Standard reporting is processed from the CIP/AA report menus. Ad hoc reporting and inquiries may be generated from the WANG Report or Inquiry utilities.

- A large number of standard reports may be generated. The nature of the individual reports is not clearly specified in the documentation and it is difficult to ascertain their purpose without a clear example.

- The readability of the reports varies. Most of the reports have understandable headings and present the data in a concise and clear manner. However, some of

the reports have cryptic headings and the presentation of the data is jumbled and difficult to read.

- The ad hoc Report and Inquiry facility provides a means for the system users to generate non-standard reports and inquiries.

- Since no facility to modify or create alternative control files exists for the users, ad hoc Report and Inquiry requests must use the existing logical view of the data.

- Data entry access is provided by programs which display screens that allow the user to add, modify, or delete records from the data files.

- The data entry screens are well developed and easy to understand. Data entry requires no special knowledge of the computer and is friendly to non-data processing personnel.

- A few of the screens are busy and some require entry of data which is redundant within the system.

Lookup Tables

- Six lookup tables are included in the system. These tables provide access to commonly occurring standard information and are accessible by key from the detail records in the data files.

- Data which is found in the lookup tables is also found on the detail records. This means that there are over a

million characters of redundant data on the system due to the duplication of the data on the lookup tables and the detail records.

Documentation

- The system and user documentation consists of the package contained in the data and analysis section of this report. The current state of the system and user documentation is inadequate to provide the necessary information for maintenance and use of the system.

- The system has one documentation package. There is no distinction made between the user and system documentation.

- Included in the documentation are the following:

  -- One page narrative system description

  -- Two page flow chart

  -- Report examples

  -- Screen samples

  -- Description of the data elements

- Many standard items are missing from the documentation; comprehensive supporting information is necessary to ensure ability of the system to survive personnel changes and other upheavals.

- The documentation does not provide the information which is necessary to operate the system efficiently. Access and step by step instructions, description of functions,

and code definitions are among some of the standard information items which are missing.

User Perceptions

- Overall user acceptability of the system is high. The general feeling is that the system provides the information to personnel efficiently and effectively.

- Inability to effect changes and inflexibility of the system to change were the only negative aspects of the users' perception of the system.

- Additional reports and inclusion of additional data in the system were mentioned frequently by the system users as possible new requirements.

Data Structures and Integrity

- The CIP/AA data is structured in chronological order beginning at the agreement level and increasing in detail through the financing request/letter of commitment, invitation for bid, and letter of credit levels until the highest level of detail is reached at the shipping level.

- The data is logically structured chronologically but lacks clear cut relationships from file to file.

- Record retrieval keys (or codes) are long and cumbersome and not clearly defined. Data which should be logically grouped is dispersed throughout the files. Accessing multiple files is difficult.

- Redundancies in the data are common. Some elements occur multiple times in a single file and many elements which are contained in tables are also maintained in the detail data.

- The data is consistently complete within the individual files. Some historical data is missing, although the gaps do not pose a major problem.

- Several of the data files are very similar in content and should be merged to eliminate redundant data and effort.

- Application security is provided by user menus. Users are allowed to access the data entry, reporting, and inquiry functions. Application consistent file protection is not present, and the use of the Wang security features is not well developed.

System Management

- The computer facility is well managed. Access is controlled and limited. Backup procedures are well developed.

- Application system security is provided by logon to logoff menus. This form of security is susceptible to penetration by knowledgable users. Inter-and intra-application security is difficult to maintain. The availability of the help function makes all unprotected files vulnerable.

Recommendations

System Software Recommendations

- Obtain and install an updated operating system release. Release 6.2 of the WANG operating system is now available and includes all the latest enhancements. A new release of the COBOL Compiler is also available.

- Revise the system security. At a minimum, revise application and file level security. Protect applications by assignment of application consistent protection classes. This level of protection allows access only to those users with access assignment matching the specific application's protection class.

- As an alternative to revising system security, install the State Department CUE software. This package provides inter- and intra-application security, as well as many other desirable features.

Applications Software Recommendations

- Revise the CIP/AA system. As the system continues to grow in volume the difficulties in accessing and reporting the data will increase. Careful consideration should be given to logical database design and to provision for transportability to other programs within USAID/Cairo or other missions.

- If revision is undertaken, address the following major areas of difficulty:

-- Elimination of redundant data

-- Consistent use of tables

-- Logical key structures

-- Flexible and user modifiable control files

-- Revision of reports

-- Merging similar data files

The recommendations for system enhancements (under General Recommendations below) can only be implemented if the above actions are taken.

Documentation Recommendations

- Prepare adequate documentation. A complete and up-to-date set of user and system documentation is required to ensure the viability of the system. Without the proper documentation USAID risks losing the ability to maintain and use the system.

- Include as a minimum in the system documentation a system description, program documentation, and a maintenance guide.

- Provide in the user documentation step by step instructions for access and use of the system. Complete descriptions of the reports and the purpose of the reports should be available. Also include descriptions of the data elements and code definitions.

General Recommendations

- Expand CIP/AA to be a CIP/MIS, i.e., more than just accounting for the CIP transactions. The system could be enhanced to provide information valuable to decision makers both at MPIC and the USAID. Include in the CIP/MIS a "time line analysis" which would permit USAID to identify bottlenecks in the system and to project the schedule for delivery of commodities more accurately.

- Such system enhancement can be gradual, starting with more responsive procedures for installing user requested enhancements.

- Dedicate a programmer to the CIP/MIS to implement the system expansion and keep the system current and adequately documented.

Conclusion

Overall, the Arrival Accounting System is adequate to meet the needs of the basic tracking of the CIP. It is important to note that an effort has been made to provide the CIP project officers and managers with the necessary information to administer the CIP in Egypt. What the system lacks may or may not be required in the current context. With relatively minor revisions to address the problems mentioned, the CIP/AA information system could become a model system and perhaps be distributed to other USAID posts for use in similar programs.

CHAPTER V. DATA AND ANALYSIS

This section presents a summary of the major information upon which the findings and conclusions are based and how it was analyzed.

A. Economic Impacts

In a program having combined economic, political, and developmental impact, several analytical issues need to be addressed. The issue of the trade-off between productive and distributive efficiency should be recognized. Programs which intend to promote production capacity and efficiency may, in fact, result in upsetting or worsening the distribution equity in the nation. In this regard "macro" versus "micro" impacts are important considerations, especially in light of supply and demand determinants and direct (or first order) and indirect (or second order) effects. Program impact on socio-economic welfare in conjunction with the prevailing pricing and price system in the economy will also be noted. Welfare analysis should account for all externalities resulting from implementing the program while the inadequacy of the price system will take into account these external effects. Lastly, this section will examine the effect of CIP allocation discouraging or even prohibiting higher personal consumption as well as decreasing non-developmental expenditures by the Egyptian government.

Because there is a lack of sufficient, consistent and reliable data on the economic impact of the CIP, it will be analyzed by examining its direct and indirect effects on the major macro and micro-economic indicators. Specific propositions

and questions will form the framework for the analysis. The major questions posed here are:

Does CIP--

--have an impact on balance of payments?

--size respond to any BOP criterion?

--affect GOE expenditure or receipts?

--increase (encourage or support) consumption?

--affect (raise) investment?

--affect employment?

--create import substitution impact?

--create export promotion impact?

--distort development priorities?

--have greater impact on rural or urban areas?

--have income distribution effect?

--create developmental effect?

--affect price stability?

--create over dependency?

--Finally, do CIP objectives overlap with other USAID objectives?

To answer these questions secondary data from several Egyptian sources and international documents were used. Whenever secondary data were unavailable or inappropriate to use, the analysis depended heavily on the findings of the structured interviews conducted by the team.

1. Direct Effects

a. Balance of Payments

The definition of the BOP gap to be financed as used in this report comprises the current account and amortization payments. In 1981/82 the CIP funds represented about 7% of this gap. During the 1978-1983/84 period this figure averaged 10.4%. During the 1978-1981/82 period CIP represented about 56.4%, 28%, and 40% of the tourism earnings, workers' remittances, and Suez Canal tolls, respectively.

The effect of CIP on the current account deficit with other major foreign exchange contributors was investigated (Figure V - A-1). During the 1978-1981/82 period, a 10% increase in CIP funds tended to decrease the current account deficit by about 9.9%. Coincidentally, this result is similar to the remittances effect where a 10% increase in remittance transfers tended to reduce current account deficit by 9.6% (Table V - A-1).

The elasticity of CIP with respect to the BOP reach 0.308. A ten percent increase in CIP seems to reduce the BOP deficit by about 3.1%. This implies that, if CIP were to be used as the sole instrument to eliminate BOP deficit in Egypt, it would have to be increased manifold to cover the BOP deficit.

Although CIP seems to have a small effect on BOP deficit, it helps greatly in preventing further deterioration. The dispersion coefficient (1) of BOP current account deficit around its

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(1) Dispersion coefficient = (estimated standard error/average value) x 100.0

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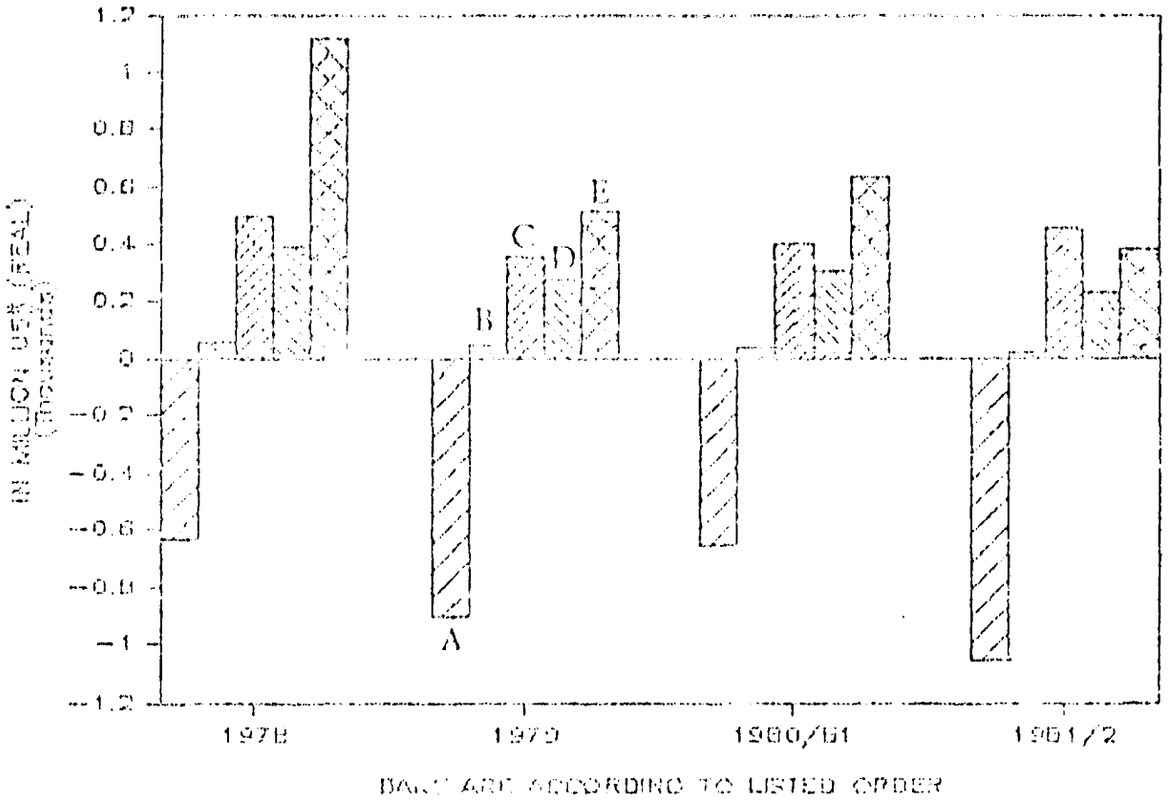
FIGURE V-A-1
CURRENT ACCOUNT BOP, CIF, SUEZ CANAL
REV., TOURISM REV. & WORKERS REMITTANCES



A - CURRENT ACCOUNT BOP

B - CIF

C - SUEZ CANAL REVENUE

D - TOURISM REVENUE

E - WORKERS REMITTANCE

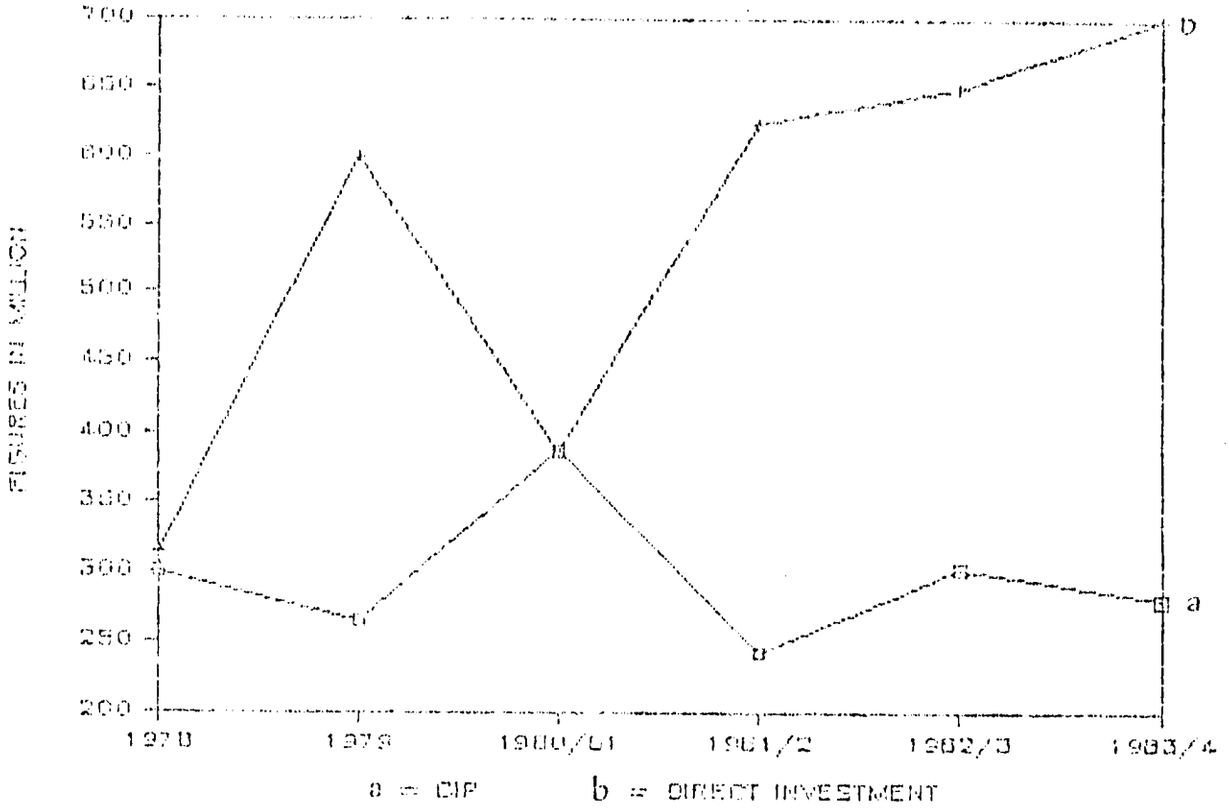
Source: Tables D-10 - D-11 in Appendix D

mean value including CIP reached 27% during the 1978-1983/84 period. This value without CIP included in the accounts reached 35.1%. Thus, CIP seems to stabilize the deficit and prevent it from further deterioration. Another effect of CIP on the stabilization of the BOP is worth noting: the dispersion factor of BOP around its mean value during the same period reached 31.6% excluding the CIP, and only about 20.5% with the CIP.

The analysis also showed that CIP allocations tend to correlate positively with the current account BOP deficit. The estimated correlation coefficient of 0.5992 indicates that CIP levels were geared reasonably to the expected BOP deficit (Table V - A-2). In particular, it seems that total CIP allocations substituted heavily for any deterioration in the foreign direct investment (Figure V - A-2).

FIGURE V-A-2

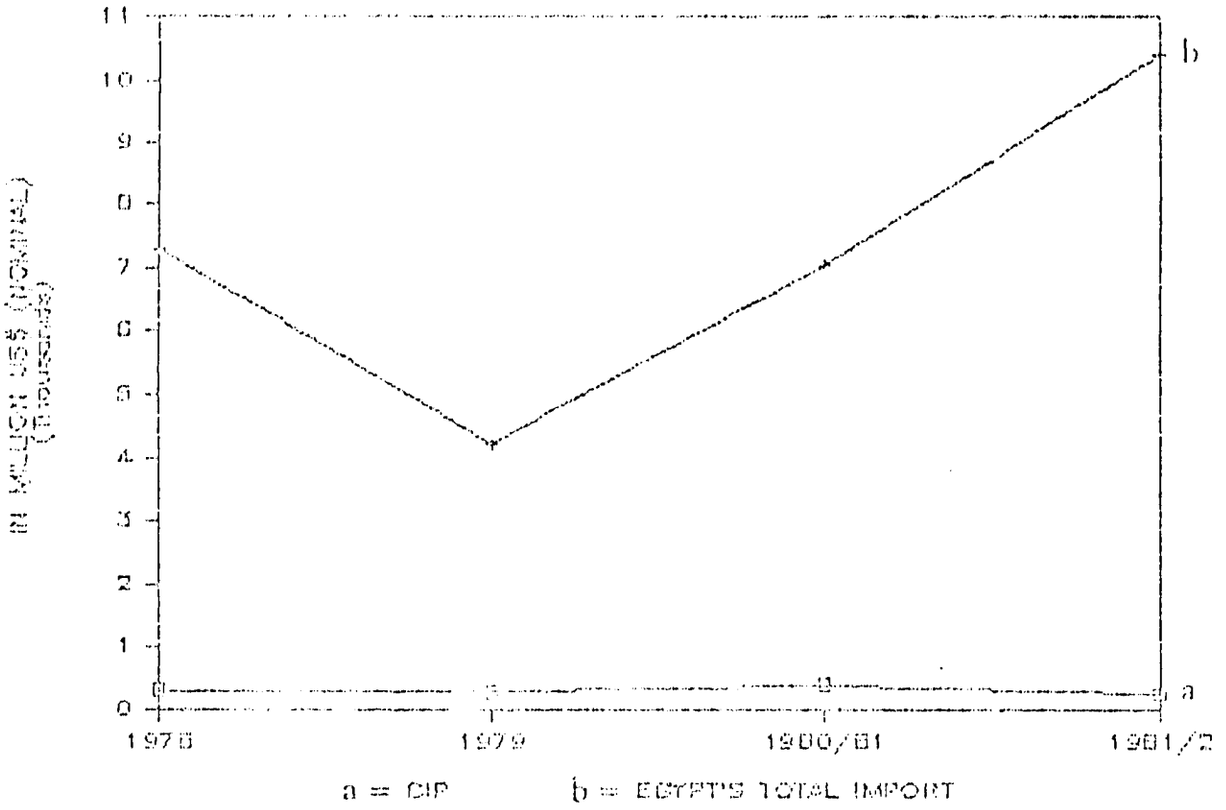
GIP AND DIRECT INVESTMENT (BOP ACCOUNT)
NOMINAL US$



Source: Tables D-11 in the Appendix D

FIGURE V-A-2

CIP IMPORT AND EGYPT'S TOTAL IMPORT



Source: Tables D-8 - D-11 in Appendix D

Table V - A-1

Estimated Elasticities for Major BOP Deficit Financing Variables 1974-1981/82

Variable	Current Account	BOP Deficit
Tourism	- 2.174	- 0.635
Workers' remittances	- 0.965	- 0.362
CIP	- 0.993	- 0.308

Source: Calculated using data from Tables D-10 to D-11 in Appendix D.

Table V - A-2

Estimated Correlation Coefficients for the CIP and Selected Major Variables

Variable	Tourism	Workers' Remittances	BOP	Gross Private Investment
CIP Total	0.85	0.51	0.59	-
CIP Private	-	-	-	0.73

Source: The correlation coefficient measures the degree of association between two variables and is defined as:

$$r = \frac{\mathrm{Cov}\ (x, y)}{(v_x v_y)^{\frac{1}{2}}}$$

where Cov (x, y) = Covariance of x and y

v_x = the estimated variance of x

v_y = the estimated variance of y

Calculated using data from Table D-3, D-10, and D-11 in Appendix D.

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Estimated Correlation Coefficients for the CIP and Selected Major Variables

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Calculated using data from Table D-3, D-10, and D-11 in Appendix D.

b. Government Budget

Aggregate demand has dramatically increased in the past three decades. This shift in demand, when coupled with high population growth rate and a reduction in the productivity growth rate, places an excess burden on the budget and causes an enormous increase in all prices. The correction of this situation requires excessive investment.

Investment can be considered as output not consumed by the public or private sector. With high marginal propensity to consume, as well as excessive increase in government expenditure, Egypt's need for foreign currency to finance social and economic developement projects remains high. The data available revealed that the total public deficit has increased almost four times as of 1982/83 compared to 1975 (Appendix D).

CIP disbursements relative to the total GOE receipts have decreased from 38% in 1976 to an estimated 6.05% in 1982/83. At the same time, the percentage of the CIP relative to the GOE expenditure has decreased from 14% in 1978 to 3% in 1982/83. These results imply that with an increase in both public revenue and expenditure, as well as steady state growth in the CIP fund, the CIP has become a minor financing item in the budget over the time period under study.

c. Consumption Levels

The data available reveal that the size of CIP has increased on both sector and commodity levels. Certain sets of commodities are imported through CIP including corn, tallow, coking coal, radio apparatus, tobacco, vegetable oils, transformers, frozen chicken, and vehicles (Table V - A-3). These sets of commodities

include consumable and capital goods. Is CIP supporting personal consumption or increasing non-developmental current expenditures by the government? Available data reveal that funds allocated to food items, raw material, and capital equipment amounted to $73.3 million, $1.04 billion and $811.7 million, respectively during the 1975-1983 period. These results indicate that about 79.6% of the total CIP has been allocated for production and service. Therefore, it appears that the CIP has helped more in financing the balance of payment deficit in investment than in consumption.

However, the CIP plays an important role in responding to the ever increasing demand for food in Egypt and in alleviating part of the increasing pressure on the government budget. Facilitating imports under CIP also helps in opening the door for increased commercial imports from the U.S. The data on Egypt's imports during the 1975-1981 period show that about 38% of the total corn imported from the U.S. is through the CIP program. As for vegetable oils, total imports from all sources were $244.60 million in 1975 and the U.S. market share was about 93%. This share fluctuated during 1976-1979 from 35% in 1976 to 100% in 197[illegible] despite the decrease in the CIP share (Appendix D).

As for tallow, the share of the U.S. market in 1975 was around 94% of the total tallow imports. In the same year the tallow imports through CIP were around 94%. The U.S. share, the imported tallow through CIP, and the total imported tallow have decreased over the period under study at the same rate. The same results hold for other raw materials, including tobacco and iron/steel strips.

d. Investment

In the past three decades, Egypt has adopted different policies for resource use and allocation. Before 1974, the Egyptian economy was "closed", that is, no foreign investment was permitted. The policy after 1974 was changed to an "open door" economy. Foreign investment was encouraged and a significant amount of foreign currency has been subsequently devoted to development. The amount of foreign investment, on the average, was about 22% of total investment during the period 1974-1981/82. The economic plan 1982-1986/87, which proposes to guarantee a balanced stable growth in the economy, incorporates an investment volume of L.E. 35.486 billion to be financed from various domestic resources over five years. This amount accounts for approximately 81% of the total planned investment during the period. Therefore, even with high dependency on local plan financing, foreign funding is still of great importance in financing Egypt's future economic development.

The annual growth rate in total gross investment was roughly 6.37% during the period 1974-1981/82. In terms of the allocation of the total investment between public and private sectors, the data available shows that gross private investment was approximately 25.51%. But during 1981/82 the gross private investment to the total investment grew at a faster rate than gross public investment which constituted roughly 71.49% of the total investment during that same year. The gross private investment continues to grow at an annual rate of 21.38%; for gross public investment it is around 3.81%. This may be due to burdensome regulations imposed on allocation of capital to the public sector. With increases in the size of GDP and gross fixed investment, the output/capital ratio, as approximated by the GDP/gross fixed investment ratio, was examined over the period

1974-1982 period. Perhaps the most surprising conclusion is that this ratio has fallen over time; i.e., 13.22 in 197' to 7.63 in 1981/82 (Appendix D, Tables D-1 and D-6). These results may reflect inefficient use of capital.

As noted, around 79.6% of the total CIP goes for either intermediate industrial commodities or capital equipment. On the average, around 35.92% of the total is for financing capital equipment. This accounts for approximately 8.28% of total industrial investment in Egypt. Statistical data for 1975-1981 reveals for example that the motor vehicles and transformers imported under CIP equalled almost 100% of the total U.S. imports in 1975 and 1976. For the remainder of the period, the importation of both fluctuated. The share of the U.S. market for motor vehicles decreased from 15.46% in 1975 to 3.45% in 1981 while the share for transfomers decreased from 21.55% in 1975 to 14.94% in 1981.

e. Employment

Although not primarily intended to be an employment generating program, CIP has had a favorable effect on improving job opportunities in Egypt. In the interviews conducted by the evaluation team (Appendix B), it was suggested that CIP funds increased employment in some oganizations and improved the health safety for workers in others. At the Transport and Engineering Co. (TRENCO) an increase of 500 workers, or 20% of the company's labor force, was identified as a result of CIP funding. However, the CIP is not expected to have a significant effect on the total labor force in Egypt, currently estimated at over 12.4 million. In some cases, the activities financed by CIP tended to be labor-saving. The Cairo Governorate expects to replace hundreds of refuse collectors with mechanized equipment. Within the

limited objectives of CIP and the widespread activities it finances, there seems to be an overall favorable employment effect, most likely in the upgrading of skills.

2. Indirect Effects

a. Import Substitution

The availability of CIP funds on a concessional basis seems to have several direct and indirect effects on productivity and import substitution. The CIP could be used to enhance productivity in the Egyptian economy and support current government expenditures, public investment, and the approved importation budget. The CIP allocation for capital and intermediate goods represents 79.6% of total CIP. During the 1975-1983 period total funds allocated for capital and intermediate goods amounted to $1.85 billion. The estimated elasticity of annual GDP with respect to total investment using the data for the 1975-1981/82 period (Appendix D, tables D-1 and D-6) indicated that a 10% increase in the total investment would tend to increase annual GDP by about 6.6%. Accordingly, the $1.85 billion disbursed as capital and intermediate goods should generate an annual output in the Egyptian economy equivalent to about $1.2 billion. The portion of CIP allocated to infrastructure and industry decreased slightly from $214 million in 1979 to $206 million in 1983. However, using the above estimated elasticity, this should increase the total output of the country (given the prices) by about $136 million in 1983. Other factors being equal, this could be considered as an import substitution effect generated by CIP funds.

b. Income distribution

CIP objectives tend more toward increasing productive efficiency. Given the trade-off between productive and distributive efficiencies, the CIP allocations appear to promote the public sector at the expense of the private sector. Within the public sector, the allocation depends upon the yearly plans submitted by the public companies to designated ministries, which in turn submit a request for funding to MPIC. Using the data available as of the end of 1981, the allocation of CIP funds to ministries and companies overseen by each ministry seems equitable. The calculated "Lorenz coefficient" of 0.295 indicated CIP funds were allocated in an equitable manner to ministries according to the number of companies they oversee. In practice, however, the actual allocation depends mainly on the government's plan. Given that CIP funds are allocated to over 17 ministries (Appendix D) with diversified service and production activities covering the entire economy, it seems it has had no adverse effect on the income distribution or equity in Egypt.

CIP funds allocated to the public sector are also used in diversified services and production activities. New companies, such as Egypt International Aviation, were launched using CIP funds. There is no evidence from available sources that large private firms (in terms of capital, size, employment, etc.) were favored over smaller firms. Nor is there any evidence to support the hypothesis that CIP supports well-established firms at the expense of new or expanding firms. However, it should be noted that inadequate dissemination of information about the availability of CIP funding often results in non-use of the program by smaller or less sophisticated firms (which also have less standing with banks).

c. Price Stability

The [illegible] commodities ranking highest in total value imported under CIP during 1975-1983 were [illegible] tallow ($314.3 million), corn ($298.0 million), [illegible] ($153.6 million), and vegetable oils ($96.2 million). These commodities, along with the importation of other [illegible] commodities under CIP's concessional terms, helped the government pursue its policy of stabilizing consumer prices so as to ensure social and political stability. The low priced major food commodities and raw materials imported under the CIP have had a favorable indirect effect on the GOE's [illegible] budget (over L.E. 2.2 billion in 1983/84). Although the CIP may have little overall impact on curbing the [illegible] increase of over 14% in the Cost of Living Index, it, along with [illegible], has helped to stabilize prices [illegible] commodities. In fact, a wide range of raw materials, [illegible] on a concessional basis has played an important role in this area as well.

d. [illegible]

CIP-allocated and [illegible] commodities assisted the GOE in realizing, balanced [illegible] distribution. This has been evidenced by a [illegible] and type of public and private firms utilizing the CIP funds. The "[illegible]" spectrum of firms and organizations which utilize the CIP such as universities, cement, sugar, and [illegible] fertilizer, construction and food processing firms, confirms this [illegible]. Also, during the 1975-1983 period, there was a [illegible] $216.1 million worth of motor vehicles imported (including buses, trucks, and locomotives) which substantially boosted services for interregional transportation and distribution of goods.

3. Institutional and Non-Policy Constraints on CIP Economic and Financial Impact

Institutional, social, economic, procedural, and technical constraints existing in the Egyptian economy coupled with some rigidity of CIP goals by [illegible] appear to affect adversely the impact of the CIP. These constraints affect the ability to evaluate the total impact of CIP as well. Some of the more significant constraints are enumerated below.

a. [illegible] Price Policies

The heavy [illegible] price [illegible] and food distorts [illegible] and adversely affects [illegible] level. The pricing policy [illegible] partial [illegible] determined. This [illegible] and within [illegible].

The CIP [illegible] for all public [illegible] at low levels for [illegible] have more [illegible] a net social welfare [illegible] and costs of the CIP [illegible] industry. In the [illegible] industry [illegible] prices at low levels with a [illegible] consumers. Low prices affect the liquidity of the industry, thus making it difficult for it to expand or even to find cash for the required down payment for CIP imports.

b. Technical Expertise and Training

Although Egypt has a relatively skilled labor force compared to other developing countries, the existing expertise generally acts as a constraint on the level and type of technical equipment imported by GOE. There is a direct relation between the skills available in the labor force and technological sophistication of imported equipment. But this is overcome to an extent by the training financed through CIP [illegible] users of advanced technology equipment (military [illegible] equipment, for example).

c. Trade and Customs Tariff Regulations

Ministry of Trade Decision No. 1036 of 1978 incorporates previously existing laws affecting trade and sets forth "the unified decisions of the [illegible] implementing the export and import law." Although both public and private sectors participate in the [illegible], only commercial public sector companies are entitled to import from "payment agreements countries."

New import regulations have been [illegible] in 1982 for private sector imports. The [illegible] generally exclude the private sector from [illegible] specific [illegible] where they may have a comparative advantage [illegible] and cost.

Also, import duties are collected on the basis of CIF value of imported goods. Imports for [illegible] goods include an import tariff calculated on the basis of [illegible] specifying the percentage of duty [illegible] ranging from 0% to 500%. The duty on "cassettes [illegible] for [illegible]" equals 10% of the CIF value, [illegible] for [illegible] exported or charged only 5%. Other

excise taxes, pavement duties, a postage duty, and a statistics duty add to the cost of imported goods. The high freight cost for shipments from the U.S. under CIP also increases the cost of CIP commodities. This makes U.S. commodities less competitive in the Egyptian market as compared to European and other countries' commodities of the same quality.

d. Adequacy of Information Flow Concerning AID Programs

The flow of accurate information from both AID and MPIC to the public sector is better than that to the private sector. The private sector importers depend on their own networks, organizations, and banks. A new brochure published by the USAID Office of Finance and Investment in March 1984 is an important step forward to attract expanded private sector participation in the program.

e. Infrastructure and Absorptive Capacity

Based on interviews with officials of both public and private firms and agencies, there is still [illegible] and for more CIP funds (MPIC reports that it received $300 million in request for its $300 million allocation). Yet, to maximize the benefit of the current level of CIP funds, steps should be taken to reduce delays in construction and civil works needed for the installation of new equipment. MPIC now requires a certificate of civil work completion prior to L/C opening, but [illegible] this may not be sufficient.

E. Control of Bureaucracy

The state management of the economy combined with statutory rigidities inherent in the financial system slow down the distribution process. The MITC has occasionally superseded its own circulars, even retroactively, without due consideration for goods in the pipeline and without regard for commercial credit and procedural ramifications.

As an example, banks are held responsible for enforcement (and thereby interpretation) of the circulars issued by MITC. This can result in misunderstandings and varied interpretations of import regulations which, in turn, may adversely affect shipments or result in expired letters of credit (which can be extended only through expensive delays).

Finally, AID's administrative checking and rechecking of specifications and the detailed U.S. requirements placed on a clientele unfamiliar with U.S. regulatory and commercial practice has at times resulted in considerable slowdowns in the CIP process.

B. Developmental Impact

CIP is a resource for selling [illegible] and commodities available to Egypt under certain circumstances. Actually, all non-project assistance is defined as a mechanism for providing short-term relief from constraints in the economy of a developing country. It is also often directed to alleviate liquidity or balance of payments problems.

It is frequently mentioned that program assistance is to meet political objectives, whether or not is is supported by a clear balance of payments or budgetary need. In analyzing the developmental impact of CIP, it is recognized at the outset that foreign aid in general does not by itself ensure economic advance. Some major predeterminants of development are a nation's economic quality and attitudes, values, objectives and political institutions. This is coupled with natural resources and external market opportunities. The CIP program's developmental effectiveness should be examined mainly through the degree of support it provides to promote development of the recipients according to the country's unique priorities. In the case of Egypt, it seems appropriate to examine the developmental impact of the CIP within the stated objectives and priorities in the country's current Five Year Plan.

The allocation of CIP during 1975-1981 coincided to a large extent with the priorities indicated in the GOE Five Year Plan. The largest proportion was allocated to the Ministry of Supply (Table V - D-5) to support the importation of food and consumables. The allocation devoted to capital equipment was also significant (Tables V-5-1 and V-B-1). The allocation devoted to industry represented about 25.6% of the accumulated funds under the CIP. Investment devoted to industry and mining in the Five Year Plan represents about 24.8% of the grand total investment figure. Investment in transportation and electricity was at the top of the list of both CIP and Plan priorities. Based on the data collected, CIP contributed to 15 out of the 16 economic sectors specified in the Plan.

All firms interviewed indicated that the output generated as a result of the CIP (or the CIP in general) assists in meeting developmental priorities established by GOE. Food security was

Table V-B.1
Mix of Commodities
(Capital Vs non-Capital) Financed Through FY:

($ millions) (% of total)

Commodity Group or Commodity	1979 (%)	1981 (%)	1982 (%)	1983* (%)	Total
Total	1131.8	1741.8	2050.5	274.3	2324.8
Food Items	245.2 (.21)	474.0 (.21)	409.7 (.20)	63.6 (.23)	473.3 (.20)
Corn	109.0	152.3	234.6	63.4	298.0
Vegetable oil	86.2	95.2	96.2	- 0 -	96.2
Frozen Chicken	33.2	63.1	62.1	- 0 -	62.1
Raw Materials:	468.2 (.41)	724.6 (.42)	945.1 (.46)	98.6 (.36)	1043.7 (.45)
Tallow	209.3	273.3	299.7	14.6	314.3
Coking Coal	56.2	125.0	153.4	1.4	154.8
Tobacco	69.4	103.3	113.3	17.1	130.4
Iron/Steel Scrap	67.7	98.2	73.5	16.8	89.3
Peanuts & other	55	34.5	52.6	8.2	61.2
Capital Equipment:	423.9 (.37)	642.7 (.37)	695.7 (.34)	116.0 (.42)	811.7 (.35)
Motor Vehicles and Parts		134.1	198.1	17.8	216.2
Rubber & Plastic	35.5	150.0	124.1	15.9	139.0
Transformers & Generators	50.7	35.5	63.1	15.1	78.2
Printing Machinery	19.9	56.1	61.1	1.2	62.3
Agr & Food Proc Machinery		30.3	52.9	- 0 -	52.9

* Figures are for 6 mos. only.
Na = Not available

Table V-B-2
Major Commodities Shipped As of 5-5-84
By Year of Agreement
($ Millions)

Commodity Group/ Commodity	1975	1976	1977	1978	1979	1980	1981	1982	Total* 1975-5/84
Food Items:									
Corn	-	-	67.6	24.6	27.7	67.5	31.9	55.7	275.0
Vegetable oil			85.1	-	3.4	-	-	-	88.5
Frozen Chicken	-	-	10.7	23.9	10.0	12.9	-	-	57.5
Raw Materials:									
Tobacco	34.2	40.2	47.3	52.0	38.8	22.4	16.4	19.8	281.0
Cotton Seed	-	25.0	8.0	31.0	35.0	27.0	28.6	-	150.5
Tobacco	-	-	24.4	22.0	25.0	22.4	5.0	16.6	129.3
Iron/Steel Strips	3.1	6.0	10.0	16.1	29.3	16.1	-	4.1	75.5
Capital Equipment:									
Motor Vehicles and Parts	22.3	27.7	11.7	[illegible]	5.0	6.3	8.9	7.1	127.[illegible]
Radio & Water	1.6	11.1	[illegible]	18.7	[illegible]	17.[illegible]	13.7	17.1*	115.2*
Transformers & Generators	1.5	2.0	5.7	[illegible]	1.7	6.8	13.3	33.6*	78.9*
Printing Machinery	-	8.2	15.[illegible]	11.[illegible]	6.8	7.7	9.6	0.2	59.1
Agr & Construction Machinery	-	9.3	[illegible]	-	21.8	6.5	11.0	NA	46.7

* Estimated based on 1982 [illegible] figures. Source: OIPA Final Accounting Status - special report
NA Not available.
** Detail may not add to total [illegible] rounding.

among the major priorities met through use of the CIP. Eight firms indicated that their production or services resulting from use of the CIP meets such priority directly. Thirteen firms reported that their output or service meets this priority indirectly either through land reclamation (horizontal expansion of agricultural land) or better geographical distribution of food and inputs. Other developmental priorities affected by the CIP include improving health conditions, education, human resource development and improving local government and public services. Support of export promotion and import substitution activities were also among the reported priorities met by CIP imports.

A review of the list of transactions under the CIP reveals that most of the raw materials and capital goods are used in economic activities with backward and forward linkages. For example, raw materials such as "steel/iron bars and others" (U.S. $89.3 million) are used for construction and mining. This creates significant forward and backward linkages and supports economic activities such as food processing (forward) and construction. Other raw materials imported under the CIP (which amounted to approximately U.S. $1.0 billion during 1975-1983), tended to have linkages and impact and effect on other related activities and industries. This finding was evidenced from the responses of the organizations interviewed. Wood pulp imported to produce paper by Kerta Company is used in turn by the packing, cigarette, and printing sectors. The kraft liner and sharing paper imported through the CIP by Johnson Company and Kerta Company are used to produce corrugated containers for packaging and exporting by industries such as textile, food processing, detergents, and perfumes.

Capital goods imported under the CIP likewise contribute measurably to the development process in Egypt. Transportation facilities such as those imported by the Nile Companies for Goods Transport, Water Transport, River Transport, and Heavy Transport increase the efficiency of food distribution and inputs. Improving the public sector transportation facilities by replacing over 250 marine diesel engines and over 300 trailers and semi-trailers provides a base for facilitating movement of imported raw materials, capital goods, and commodities from ports. These facilities tend to promote exports indirectly through transportation, alumina, iron and steel, and other raw materials as "back load" from inland to ports.

Another example of this linkage is found in the production of multiconductor, coaxial, and telephone cable using CIP-imported machinery. This cable is used in housing, rural community development, construction and [illegible].

Almost all private sector firms interviewed reported that their output was [illegible] CIP [illegible] previously imported. Thus, the use of the CIP supports the import substitution strategy for private firms. [illegible] Nile Egypt is replacing an import requirement of approximately L.E. 15 million per year. Taki Company produces for [illegible] of materials that were imported previously from [illegible]. [illegible] Development Company, created through the purchase of [illegible] under CIP, provides services previously provided by [illegible] through companies in Poland and Romania.

By reason of this import substitution mechanism, the production of output generated as a result of the CIP tended to increase locally procured inputs and imported inputs as well. For example, the importation of the [illegible] extrusion lines

96

and stranding machines by one of the private sector firms tended to increase the use of local plastic by 500 tons and local copper by the same amount on an annual basis.

In many cases, output generated as a result of the CIP is exported or used to support export promotion activities. This was evidenced by public sector firms. Production of corrugated containers in which to pack increasing fruit and vegetable production for export was among the major export promotion activities for public sector firms. Based upon interviews, private sector firms in general tend to use the CIP mostly for import substitution activities. Above, Union Carbide Egypt exportation of various sizes of dry batteries reached $500,000 in 1983.

The widespread allocation of the CIP to an array sectors marked as priority sectors by the GOE also contributed to the overall development impact of the CIP in areas such as employment, balanced regional growth, price stabilization, balance of payments, foreign exchange, investment, GOE budget, and income distribution.

Table V-D-1

Average length of time required to complete a CLP transaction

(For all transactions for which commodities

have been shipped as of 05/05/89)

(Number of Days)

	Agreement Date to Letter of Consignment Date	Letter of Consignment Date to Shipped Date	Agreement Date to Shipped Date
All transactions	221	494	715
Private Sector	224	442	666

Table V-D.2

GIF Terms of Lending, 1974-1984

	Required Equity (%)	Interest Rate (%)	Repayment Period (Months)	
Private Sector				
Years 1974-80	25% (min.)	2.5 5.0	36 60	70 P.T.
81 Aug.	25% (min.)	6.0 Dairy 10.0 Other	36	84 P.T.
82 Jan.	25% (max.)	10.0 Dairy 12.0 Other	36	84 P.T.
83 Feb	25% (max.)	11.0 Dairy GF 13.5% Poultry and Livestock 13.0 Fish Yield and 80% (max.) (min.) 15.0 Other	6-36	84 P.T.
84	25% (max.)	11.0 Dairy GF 13.5% Poultry and Livestock 13.0 Fish Yield and [illegible] (min.) 16.0 Other	6-36	84 P.T.
Public Sector				
Years 1975-77 (Aug.) (1)	[illegible]			
77-79 (Feb.)	[illegible]	[illegible]	120	P.T. 84=51 P.T. 70 = 51
	25% (max.)	[illegible]	60	
(2) (Dec. 1980)	25% (max.)	[illegible]	60 36	P.T. 84 = 51
80- Present (Aug.)	(3) 12.0 [illegible] 10.0 [illegible]		60 24	P.T. 84 = 51

Notes: (1) [illegible] .20 [illegible] = 1.00
(2) [illegible] 4th 7 [illegible] Interest for 7 Yrs.
(3) [illegible] circular No. [illegible] 1985. [illegible]

Table V.D-4

Fiscal CIP Distribution by Income Distribution of Funds

Approximate Percent	Dist [illegible]	Amount Spent [illegible]	Amount (% of Funds/Percentage Distributed After): 12 Months	18 Months	24 Months	36 Months
020	11.0% [illegible]	83.0	NA	[illegible] (.41)	66.9 (.85)	77.9 (.97)
027	06.7 [illegible]	70.0	NA	NA	38.3* (.55)	55.5 (.80)
029	08.6 [illegible]	100.0	[illegible] (.[illegible])	[illegible] (.[illegible])	53.4 (.54)	97.5 (.98)
030	10.0 [illegible]	150.0	[illegible] (.17)	67.4 (.45)	105.5 (.71)	126.1 (.84)
032	0.50 [illegible]	42.0	-	7.5 (.18)	29.2 (.70)	41.1 (.64)
033	0.06.7	434.0	101.7 (.23)	279.5 (.62)	299.5 (.67)	351.9 (.80)
045	62.7 [illegible]	320.0	85.5 (.26)	192.5 (.58)	214.4 (.64)	267.5 (.80)
052	05.10 [illegible]	250.0	82.2 (.12)	195.9 (.56)	29.1 (.83)	237.3 (.95)
061	05.21.70	35.0	3.0 (.[illegible])	25.7 (.70)	58.[illegible] (.68)	71.6 (.87)
063	05.[illegible]	0.0	-	15.1 (.4[illegible])	28.5 (.56)	39.1 (.97)
065	05.[illegible]	2[illegible]	7.[illegible] (.[illegible])	19.[illegible] (.70)	21.[illegible] (.85)	239.5 (.66)
069	[illegible]	[illegible]	-	39.[illegible] (.73)	58.[illegible] (.75)	[illegible] (.[illegible])
072	5.[illegible]	2.[illegible]	83.[illegible] (.[illegible])	125.1 (.50)	166.1 (.72)	1[illegible] (.90)
075	05.2[illegible]	2.0	13.[illegible] (.[illegible])	5[illegible] (.73)	6[illegible] (.70)	56
078	[illegible]	[illegible]	63.3 (.[illegible])	1[illegible] (.[illegible])	211.[illegible] (.[illegible])	63
079	09.21 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	56
0132	-	6.0	[illegible]	[illegible]	76	75
[illegible]		[illegible]				
[illegible]		[illegible]				
[illegible]			[illegible]	[illegible]	[illegible]	[illegible]

* [illegible]

NA [illegible]

Table V-D-4
Cumulative Summary of CIP Financing by Ministry or Agency
($ million)

Ministry/Agency	Amount (FY 1978-81)	Percent (FY 1978-81)	Amount (FY 1982-85)	Percent (FY 1982-85)	Amount (FY 1986-89)	Percent (FY 1986-89)	Amount (FY 1979)	Percent (FY 1979)
Total	[illegible]		[illegible]		21,948		1,660.0	
Ministry of:								
Agriculture	[illegible]	[illegible]	92.1	1.5	256.0	1.3	23.0	1.6
Central Economic Planning Agency	2.1	-	2.0	-	-	-	-	-
Civil Aviation	7.2	-	1.9	-	2.0	-	0.6	-
Civil Protection	5.0		-	-	-		-	-
Communication	78.[illegible]	3.6	70.9	2.5	86.9	2.5	39.7	2.2
Education	72.8	2.6	58.5	2.4	33.1	1.8	21.1	1.4
Electricity	[illegible]	5.5	127.8	5.2	91.8	4.6	78.5	5.1
Finance	[illegible]		3.0	-	-	-	-	-
Health	17.[illegible]	-	13.2		11.9	-	3.6	-
Industry	[illegible]	25.5	[illegible]	28.7	[illegible]	26.[illegible]	421.[illegible]	27.8
Water	[illegible]		[illegible]	(2.5)	[illegible]	[illegible]	-	-
GOTI	[illegible]		(61.9)	(2.5)	(54.6)	[illegible]	-	-
Information	102.	3.6	103.[illegible]	4.1	59.6	3.5	51.0	3.3
Jurisdiction	[illegible]		13.1	-	5.6	-	4.4	-
Justice	1.0		1.0	-	-	-	-	-
MITI	[illegible]		25.6	1.0	[illegible]	-	-	-
Social Welfare & Insurance	[illegible]		2.0	-	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	38.4	[illegible]	35.[illegible]	539.8	35.7
Sports	[illegible]		-		[illegible]	-	10.[illegible]	-
[illegible]	[illegible]	9.[illegible]	19.0	9.[illegible]	[illegible]	[illegible]	155.8	10.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.[illegible]	1.[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	38.1	3.0
[illegible]	[illegible]	4.9	[illegible]	[illegible]	[illegible]	5.5	68.[illegible]	4.4
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-

CHAPTER VII. CDDP STRATEGY AND PERFORMANCE

A. Overview

The Commodity Import Program in Egypt is an enormous long term program with potentially conflicting objectives. These objectives have evolved slowly during 1975 to 1981, the period presently under evaluation.

Its primary objective has been to help meet the need for continuing balance of payments deficits and thus demonstrate U.S. support for the GOE and its reform policies. Its most important function has been to [illegible] and financing required imports. Given the size of the balance of payments deficit and the [illegible] requirements, simply [illegible] in $300 million a year is an important development [illegible].

Because [illegible] road to development, the CIP [illegible]. If so, CIP funds should [illegible] sectors of the economy and [illegible] the importation of these goods which will have [illegible] development. Further, the program should [illegible] fostering a [illegible] and the GOE to achieve the [illegible]. The overall decision on how CIP funds are [illegible] jointly by the GOE and USAID. Are the Egyptian priorities [illegible] chosen as end users that [illegible] in a timely and efficient manner? Obviously the effectiveness of this process must be a topic for any CIP evaluation.

Another more recent aspect of the CIP program is the generation and use of local currency funds for deposit into the Special Account. According to the regulations governing CIP, the bulk of these funds are to be used only for developmental applications which have been agreed to by the GOE and USAID.

The profusion and complexity of CIP objectives, given the fixed time and resource constraints, is almost bound to preclude the achievement of all the objectives. And yet in many ways, the CIP program has a remarkable record of success.

1. Political Impact

The size of the U.S. economic assistance package for Egypt and for Israel is mandated by Congress each year under Part IV of the Foreign Assistance Act of 1961, as amended, "Economic Support Fund." The ESF authorization enables the president to "furnish assistance to countries . . . in order to promote economic or political stability," as distinct from "Development Assistance," although he is to take into account the policy directions of that latter section of the Act.

It is not accidental that the ESF levels for Egypt and Israel are authorized in the same section. The decision in 1974 to assist Egypt came as a direct outgrowth of the Camp David accords and was made to show U.S. support for a moderate Egyptian government which would help implement the spirit as well as the letter of those accords.

Because of CIP's proven ability to disburse funds rapidly when compared to AID projects, it was used as the first tangible evidence of U.S. economic assistance. The $80 million obligated in that first agreement were 71% disbursed within the first 18

months, a record which stood until 1979 and which is well above the weighted average disbursement of 56% over the life of CIP (Table V-D-3). It was a convincing demonstration of U.S. support even though it alleviated only a small fraction of the BOP deficit.

Constituting roughly 25% of the total annual U.S. economic assistance package for Egypt. CIP does not necessarily play the prime role in GOE-U.S. relations. But as an important segment of the total AID package and one which affects more ministries and entities than any other USAID activity, a sharp reduction in amounts available without offsetting increases elsewhere, would be taken as a negative signal by the GOE.

It became apparent, through interviews with GOE and American officials that there is some serious rethinking of the political role of CIP. U.S. officials believe that its visibility is too low given the staff and monetary resources necessary for its operation. Hence, positive political impact to be reaped from program recognition is minimal.

GOE officials are frank in wanting CIP to be converted into an outright cash transfer, not only to relieve them of the effect of onerous AID rules and regulations, but to put Egypt on a par with Israel, which has been receiving its economic assistance through cash grants for many years. Some U.S. officials agree, but suggest a gradual approach, such as converting only a portion of CIP into a cash grant.

Because the subject is basically a political one, no recommendation is included, but a table of suggested alternatives is provided under section B, Recommendations. The time is ripe for further study of this subject.

2. Economic Impact

Measured in statistical terms, the macro-economic effect of the CIP has been marginal. Even though its use to improve Egypt's BOP in 1975 was a welcome and useful intervention, its direct impact on BOP has lessened over time as GOE foreign exchange earnings and direct investment from other sources increased. But the availability of CIP funds at annual levels around $300 million has served as a psychological safety net as well as an actual stabilizer of the deficit. If CIP funds may be less important in terms of total BOP, they are important in funding critical commodity items that might not be purchased from available foreign exchange. Cutting CIP might mean select priority items would not be available.

Egypt's total imports are approaching $9 billion a year of which CIP is about 3.3%, a figure which will decrease if CIP levels stay constant. This illustrates the minimal impact CIP has on the level or composition of GOE imports, even though almost 80% of CIP has been allocated for production and service sectors.

CIP is also a minor financing item in the total GOE budget and its impact on employment is mixed-some firms reported no changes due to using CIP commodities while others reported some decreases due to better technology.

There has been an indirect economic effect from the portion of CIP allocated to infrastructure and industry: based on the data analysis, $206 million in CIP allocated for those purposes should increase total productivity by $136 million, which can be considered a type of import substitution.

Overall, however, the conclusion is inescapable that, while figures may reveal some positive economic effects, they are concentrated on the micro-economic level. Only a multifold increase in CIP levels would give the program a significant macro-impact on the Egyptian economy.

What cannot be determined as part of this evaluation is the extent to which devoting $300 million per year solely to the public sector has hindered or helped the economy. Government subsidies, less efficient use of capital, public firms and agencies serving as employees of last resort, purposeful restricting of the private sector through import and other regulations, all exact their economic toll. Does this affect adversely the efficiency and effectiveness of the use of CIP commodities? This subject should be addressed if the mission accepts the recommendations for a periodic evaluation of CIP.

3. Developmental Impact

To what extent should CIP managers attempt to restructure CIP to ensure that it maximizes its contribution to the development of a country? Or to put the question in another form, should the perceived needs of a country, as expressed through its use of CIP funds to purchase eligible commodities, be accepted as sufficient evidence that those commodities will contribute to development? Whose definition of "development" should be used? What are the respective weights to be given to the importance of rapid disbursements versus development?

CIP has traditionally been viewed as a method by which a developing country receives a rapid infusion of badly needed foreign exchange in order to (a) bolster its falling reserves, (b) ease its balance of payments deficit, (c) improve a given

sector (agriculture, for instance) through imports of a badly needed commodity (fertilizer for agriculture) or (d) generate local currency. Under requirement (a) or (b) large across-the-board CIP's have been instituted. In those situations the type and category of the commodities imported are generally secondary. That was the situation at the beginning of the CIP in Egypt. Through the years there have been changes in the commodity mix as special occasions arose. Fertilizer was included one year in an effort to boost an ailing agricultural economy; frozen chickens were included at one point to help supply a better diet and to keep prices down. Later they were discontinued as the poultry industry grew, which in turn was dependent on CIP imported feed corn. To provide the raw material for a soap industry, unable to supply soaring demand, tallow has been one of the major CIP imports over the years. It would not be difficult to fit any of the above items into a definition of development that would satisfy most analysts.

CIP imports have been utilized by fifteen out of the sixteen sectors listed in the Five Year Plan. At least twelve of those sectors fit comfortably into a meaningful definition of development. Table No. VI-5-D shows the CIP allocations; the diversity of CIP contributions is apparent. What is not as readily evident is the program's overall impact. One may assume, and GOE officials concur, that CIP has contributed heavily to development as defined in the plan. Statistics reveal that the contribution has varied considerably by sector, with the more important ones being industry, electricity, supply (corn/tallow) and transportation.

But what of the impact of $25 million worth of tobacco each year (or paper for filters)? It is defended on two grounds--it initially promoted social stability by providing sufficent stocks

sector (agriculture, for instance) through imports of a badly needed commodity (fertilizer for agriculture) or (d) generate local currency. Under requirement (a) or (b) large across-the-board CIP's have been instituted. In those situations the type and category of the commodities imported are generally secondary. That was the situation at the beginning of the CIP in Egypt. Through the years there have been changes in the commodity mix as special occasions arose. Fertilizer was included one year in an effort to boost an ailing agricultural economy; frozen chickens were included at one point to help supply a better diet and to keep prices down. Later they were discontinued as the poultry industry grew, which in turn was dependent on CIP imported feed corn. To provide the raw material for a soap industry, unable to supply soaring demand, tallow has been one of the major CIP imports over the years. It would not be difficult to fit any of the above items into a definition of development that would satisfy most analysts.

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of tobacco to dampen unrest at a burgeoning cigarette shortage and it now provides a stabilizing effect on the cigarette industry, including employment. Is it development? How does it compare with tinplate for canning of fruit juices, kraft bags for the cement industry, educational materials for universities, capital equipment for the National Railways or the Egyptian Electric Authority? Should it receive the same rigorous health or environment screening that AID requires for proposed pesticide imports?

USAID and the GOE are using the CIP increasingly for capital equipment (40% of the total program for 1984) as a means of increasing industrial productivity and speeding development.

But what is considered developmental in the sense of Egypt's Five Year Social and Economic Plan may be decidely non-developmental when viewed in terms of USAID's program goals, such as improvement of agriculture, primary and vocational education, and rural and basic health care; upgrading the private sector; and assisting in decentralizing government processes to the provincial populace.

How does the import of expensive hard-to-maintain CAT SCAN medical equipment or nuclear cameras which can only be used to diagnose 8-10 people a day be reconciled with alleviating the plight of Egypt's population in which hepatitis, respiratory and water-borne diseases rank highest on the list of fatal illnesses? It is defended on the grounds that such equipment is used in teaching hospitals in which doctors are trained and which are at the top of the health referral system.

What of the millions of dollars worth of land reclamation equipment imported under CIP when USAID has purposely shunned that activity? Are high-speed presses for the newspaper and publishing industry or computers for various government agencies developmental?

Assuming the answer is negative, if one were to subtract from the $2.8 billion in total obligations those items which might arguably not be developmental, there would yet remain over $2.5 billion in commodities which, just as arguably, are developmental:

Allocated By Sector Through FY 1982
(in $ millions)

Central Agency for Auditing	2.5
Finance	3.0
Information (Presses)	102.5
Justice (Computers)	1.0
Social Affairs & Ins.	3.2
Trade	8.8
Tobacco	131.0
Health	9.0
	$ 261.0

4. Management and Efficiency of the Program

a. Efficiency

Within the regulations imposed by both the GOE and AID, the program seems efficiently managed, through the perception of some users is that CIP is more time-consuming and more costly than other import schemes. For some it is a source of last resort for U.S. dollars, although this is more applicable to private sector than to public sector users. Interviews revealed that as one moved from private sector firms to public sectors firms and then

to public sector agencies and ministries, complaints about CIP decreased.

However, one GOE official was specific with regard to the effect of late grant agreement signings, noting that only in 1982 was the agreement signed early enough (February) for the MIIC to make its allocation decisions in advance of the GOE fiscal year beginning July 1. He also noted that as of May 10, 1984, the agreement had not yet been signed.

That there could be improvements in the system appears clear from the comments. One large private sector company official remarked that despite the size of the USAID staff much time was lost in referring matters to Washington for decision. Many were concerned with the inadequacy of the 45 day period in which goods may be inspected, commenting that logistical problems involving clearances, passports, visas and travel time substantially reduce their useable time. Others cited the increasing involvement by USAID technical offices in CIP decisions, the unyielding position taken by AID on some of its regulations (and the vagueness of some GOE regulations which lead to varying interpretations).

Bid bonds, performance bonds and warranties are of prime concern to the Suez Canal Authority. The responsible officials explained that bid bonds and performance bonds provided protection for only limited periods of time. In their opinion warranties and guaranties without meaningful financial backup were worthless and provided no protection in areas where it was most needed. They claim to be able to obtain such warranties from suppliers of European equipment.

Based on interviews with users and in reviewing end-use audits, it is clear that the more sophisticated and experienced an organization becomes in international transactions, the more efficiently it participates in CIP. The Supreme Council of Universities, for example, responsible for equipment procurement for eight universities, had had no previous relevant experience. Consequently, it does not have a system of warehouses, expediters, procurement experts and infrastructure necessary to meet its responsibilities. It is currently in the process of developing a responsive organizational structure. On the other hand, the Egyptian Electricity Authority has experience and a strong organization staffed with competent procurement and technical experts-in MPIC's eyes it ranks high in the efficient use of CIP.

The FY 1984 PAAD contains a description of recent steps taken by USAID to improve the efficiency of the system:

- Concentrating on repeat purchases of replacement equipment already defined and successfully purchased under past CIP programs.
- Avoiding, where possible, custom-built commodities.
- Confining low unit-value purchases to high volume orders for standard packages (e g., the "basic education package".)
- Concentrating procurement activities on GOE agencies with a proven track record in effective and timely implementation. A certification of liquidity and the reallocation of funds now are required if procurement contracts are not produced within six months after allocation. This new requirement should permit a bypassing of several end-users that have delayed excessively in providing specifications or in making contract awards.
- A streamlined preparation and review of specifications by M/SER/COM and its support contractor have accelerated the flow of tender documents from AID/W over the past year.

- With respect to capital equipment purchases, many users are providing a structured justification of the feasibility and appropriateness of procurement packages and their specifications before an allocation of CIP funds is made. The user agency certifies that necessary action has been taken to permit the immediate and effective use of the commodities (e.g., identification and/or preparation of the equipment site, erection of the building where the equipment will be installed, plans for the installation or erection of the equipment, and plans for the operation and maintenance of the equipment). The USAID will continue to finance through the CIP such planning, training and technical consultant services as will help to speed up the preparation of good proposals for the procurement of capital equipment.

These goals and accomplishments are applauded. Adequate follow-up action by USAID to insure their consistent application should be taken.

b. Technical Review of Transactions

Within the last year USAID has made a more determined effort to put its own developmental stamp on the mix of CIP imports. As part of that effort, technical offices are directed to review certain transaction memoranda prior to final approval by CMT. The result is a dichotomy of views and actions. CMT see the process as an unwarranted slowdown of procurement and an interference with CIP's primary goal of providing a steady flow of commodities into the economy. Most technical offices feel they do not have enough status to veto CIP transactions outright. However, some have often slowed the process while they and AID/W have questioned the propriety of transactions vis-a-vis the USAID's priorities. But other offices review the proposed transactions only for technical appropriateness.

USAID policy should be clear about the technical offices' review of imports and the criteria for that review. Currently the review process is a source of delay and criticism. USAID program officials point out that, even when a decision is made to proceed on a controversial CIP procurement, the process of raising policy issues such as the need for payments from revenue-generating entities (to ensure that all subsidies required for the entities are "transparent" to policy-makers) is an important and necessary element of the policy dialogue. The USAID benefits by improving awareness, both within the USAID and within the GOE, of the areas in which CIP technical appropriateness and policy concerns may conflict. This should help to bring issues to the attention of top USAID management for resolution, thereby enhancing the possibility of policy and programmatic consistency throughout the USAID portfolio. In this process, the GOE also is reminded of the importance of policy concerns related to commodity procurement.

c. Projectizing CIP Transactions

Because of its record of rapid disbursements, CIP in Egypt has been used increasingly to fund larger, more complex and discrete transactions, many of which would be considered major infrastructure projects in most others USAIDs: complete microwave urban telephone systems; bakery assembly lines; complex railway signal systems that require specially trained personnel; electronic monitoring systems for the Suez Canal; medical equipment that requires completion of facilities before it can be installed; giant high-speed presses for newspapers; special boilers for the sugar refinery. But all of these were handled as routine CIP equipment purchases with little concern given to the ability of the end user to install, use or operate the equipment. The emphasis has been on rapid disbursement as the sine qua non

of a successful CIP operation. The results have been predictable, and have been amply illustrated in a succession of AID audits.

In a $2.8 billion dollar program aberrations are bound to occur; the team was made aware in Washington of the bus problems, the bakery equipment "scandal", the rotting corn now in Alexandria, the installation and training problems associated with the railroad signal equipment purchase, the Suez Canal VTMS package and the expensive high technology medical equipment still waiting the completion of facilities two or more years after arrival in country. The team did not spend time investigating these special problems; that is better left to auditors and inspectors. But the very existence of those aberrations warns that CIP is not a substitute for project activity no matter how discretely packaged nor how attractive may be the prospects for fast disbursement and high visibility. The project process is cumbersome and the temptation to use CIP is understandable. But the result is that when serious problems arise within large or complex CIP transactions, the transaction is converted into a "project-like" activity and put on the portfolio revew agenda-after the fact. Often an already busy procurement officer, not trained or experienced in project implementation, is given the responsibility for monitoring the "project." Fortunately, there are instances where such monitoring responsibility has been given to technical offices.

The responsibility of USAID is to identify potential problems long enough in advance to package transactions in the most appropriate manner. There is nothing inherently wrong with proceeding on the "project-like" basis providing sufficient resources are devoted to monitoring. This may act to preserve the advantages of CIP's speed and flexibility and may often be preferable to an

outright conversion to projects. Nevertheless, as the trend toward importing more complex and hard-to-install or-operate capital equipment continues, serious thought should be given to making such transactions regular projects, complete with feasibility studies, design, and concern for completion of required infrastructure in advance of delivery. To ignore such safeguards will only increase the number and complexity of crises USAID will face. The 1984 PAAD, referred to in greater detail above, notes that MPIC now requires certification from end users that required civil works and infrastructure is in place. The efficacy of such certificates is questioned by the MPIC itself, which has no review or enforcement mechanism. The USAID may have to bear the responsibility through the use of TDY engineers and other specialists.

d. CIP/AA System

This subject is covered in detail in Chapter IV.

e. CIP End-Use Report System

The USAID/Cairo Controller's Office conducts end-use audits for selected CIP transactions. A typical transaction audit usually involves a visit to the firm or organization which is the end-user of the CIP-financed imported commodity within a year of arrival, a visual confirmation of whether and how the commodities are being used and any relevant comments or lessons learned. These audit reports are circulated throughout the CIP when they contain useful information. If the commodities are being used as planned, it is not deemed necessary to distribute the audit reports.

112

Due to the large number of CIP transactions each year, it was never the intention of USAID to audit all CIP transactions. The emphasis has recently been placed on auditing new types of commodities and larger and more complex transactions. Nevertheless, the total dollar amount of transactions which have been end-use audited is approximatly 69% of the total value of arrived goods. But the total number of end-user audits conducted to date is approximately 200--less than 5% of all transactions. The end-use reports range in length from a single-typed page to many pages and may contain lists, charts, photographs, etc.

The information in these end-use reports can be useful, particularly where lessons have been learned about how transactions have "failed." Because there is no standard form used for the reports and no standard list or documentation key data items, it is difficult to synthesize the information contained in these reports. The evaluation team made no effort to quantify or analyze the information contained in the end-use reports file.

The end-use audit system is an important and useful concept. If the system were improved and expanded it could be of much greater use to the CIP staff, controller's office and to future evaluators of the program. The system could provide information on such issues as preparedness of the end-user, problems of the end-user with particular commodities or procedures and types of assistance or training needed by end-users. The issues could be covered in a reasonably-sized reporting form which could be used by the audit teams. In order to provide the most useful information, audits should be conducted of all types of commodities. Individual audit reports as well as analytical reports of audit results by type of commodity, time period, etc. should be circulated throughout controller and CIP offices.

5. GOE Treatment of Public and Private Sectors

Underscoring the disparate treatment the GOE accords the private and public sectors of the economy is the change in the CIP in 1981 to exclude all private sector firms from the program. It was only in 1983 that the private sector again was given access to an AID-financed import program. This was made possible through the establishment of a Production Credit Project (PCP) administered by the USAID Office of Finance and Investment. It makes credit available for imports using AID Washington's CIP mechanism and backstopping facilities. Becasue of its newness and relatively low disbursement rate, it was not a subject of this evaluation. Nevertheless, several firms and individuals in the private sector were interviewed to obtain their views on how the CIP had benefited them in the past and how they viewed the GOE's actions toward them vis-a-vis the public sector (many do not distinguish between the sources of AID dollars, lumping them all as a part of the CIP). Thus, comments and conclusions below reflect experiences under both the CIP and the PCP.

Terms of repayment of Egyptian pounds borrowed to purchase AID dollars for both public and private sector firms are set by the MPIC. While generally the same for both sectors, there are disparities that cause private sector paricipants to feel discriminated against. Distinctions arise in repayment time, down payment, interest rates, maintenance of value (MOV), rates at which the dollars are purchased, collateral requirements and transaction limitations.

Public sector firms are not required to put up collateral as they are backed by the "full faith and credit" of the GOE. Few private firms escape the requirement. Further, conservative financial institutions may have high collateral requirements

which may deprive marginally creditworthy private sector firms of their ability to participate.

The continued tightening of borrower requirements by the GOE has produced a substantial decrease in end-user transactions. There is some debate, however, whether many end users are actually a part of the "productive" sector or in fact whether the decreasing number of total users are the more deserving of the group as a whole. This situation has also given rise to increased reliance on middle-men who are often best positioned to maneuver within the few restraints in the financial system. Middle-man activity may contribute to further monies being diverted from developmental or productive activities to those that are less productive, such as commissions for services rendered.

Maintenance of value (MOV) requirements are not applicable to the public sector. Private sector firms face the possibility of repaying a loan at a higher rate of exchange than was budgeted for at the time of the initial loan application, a fact which could adversely affect a lender's decision on extending credit.

Unlike some major public sector purchasers using the direct Letter of Commitment procedures through AID/W (bypassing the banking system altogether), all private sector firms follow regular commercial bank regulations and are subject to L/C and other handling charges, adding to their costs.

There are no arbitrary limits placed on public sector transactions but a private sector firm is limited to $500,000 per contract and $1 million per year which must be for different commodities. This inhibits companies wanting to buy high priced

items like computers or heavy equipment, areas in which U.S. products are well-known.

The main attraction of the CIP program for the private sector was the availability of hard currency at a favorable exchange rate, it is also true for the PCP. While the P.T. 84 to $1 exchange rate does not render competitive otherwise uncompetitive U.S. products, it has insured their initial entry and, to an extent, their ability to remain in the Egyptian marketplace.

Even though public and private sector firms do not compete for CIP dollars, there is often price competition in the market place between such firms, and more often than not private sector firms lose.

The additional costs of U.S. flag shipping requirements are a disincentive to a more widespread use of CIP. In some instances, transportation charges constitute up to 35% of the total CIP price. But because bulk shipments by public sector importers more than meet U.S. flag requirements for Egypt, private sector companies have been able to ship on free-world foreign flag vessels when the buyer meets such transportation costs with its own foreign exchange. However, if AID funds are used to finance the entire transaction, including transportation, the U.S. flag requirement is stipulated.

6. Special Account

Deposits to the Special Account are required only with respect to disbursements from CIP grants, not loans. Approximately $1.1 billion has been obligated under five grant agreements and a Production Credit Grant thru FY 1983, from which approximately $563 million has been disbursed thru March 31,

1984. The GOE is obliged under the Memorandum of Understanding Regarding Special Account, dated June 30, 1980 and the last amendment dated February 4, 1984, to make quarterly deposits, upon advice from AID, of the Egyptian pound equivalent of the dollar disbursements, subject to deferred payment arrangements agreed upon for the recipients of the commodities. Through March 31, 1984, 206 million Egyptian pounds were deposited through down payments and repayments under these credit terms. Based on the CIP and Production Cedit Grants through 1983, there is a potential for Egyptian pound equivalent of approximately $1 billion to be deposited in the Special Account spread over the next ten years, the maximum period for which credit is extended to the importers.

The purposes for which funds may be disbursed, set out in the Memorandum of Understanding, may be summarized as follows:

1. Augmentation of budget assistance as GOE contributions to AID-financed projects.

2. Payment for certain participant training costs and technical and feasibility studies.

3. GOE personnel incentive payments for its development programs.

4. Funds for AID rentals and local currency administrative costs.

This evaluation is concerned only with the first category, through which over $925 million (in Egyptian pounds) will eventually be disbursed as jointly agreed. In the past MIIC credited such funds to various AID projects, but there was no USAID involvement in those decisions, despite the requirement in the agreement for joint programming.

AID guidance (State 070833, March 1984) now requires missions to submit to AID/Washington a plan for the use of local currency generations as part of their future Annual Budget Submissions (ABS). If a mission determines that it will not be involved in such programming decisions, it must justify that negative determination.

Based upon discussions with USAID/Cairo personnel, there are two schools of thought with respect to the role of the Special Account, which also reflect the differences found in AID worldwide. In summary, these are:

(a) Special Account funds are composed of payments to the GOE for the foreign exchange which it owns as a result of the U.S. grant. Therefore, it should be free to use the funds pursuant to its own development needs as reflected in its five year plan with little or no interference from USAID;

(b) Such funds are only generated as a result of the U.S. grant and that their use represents, in effect, "second-tier" assistance; the U.S., as grantor, should play an active role in their programming, disbursing and accounting.

There seems to be room in current AID guidelines to accommodate both schools of thought.

At the present the USAID policy appears to be closer to the first, or "laissez-faire" position. At one point the GOE made a L.E. 85 million disbursement without the required joint approval. This matter was resolved through a redeposit of funds by the Ministry of Finance. But USAID has not yet established with MPIC a detailed method for joint programming of category 1 funds.

Past accounting of Special Account funds by the MIIC has been somewhat erratic and the subject of internal GOE discussion. In the past year the USAID Controller's Office substantially reconciled its accounts with those of the MIIC. MIIC, in turn, imposed stricter requirements on importers with regard to making down payments. USAID now requires MPIC, as a condition precedent to disbursing the 1984 CIP funds, to use an accounting system for the Special Account which would enable both governments to track receipts and disbursements.

A more detailed accounting system for receipts and disbursements is clearly needed. But requiring USAID to do more than to give its joint approval to the use of the funds would seem to be counterproductive (see State 246904, August 1983, paragraphs 14 and 15, for AID guidance). The Memorandum of Understanding requires only that the funds go to support AID-financed projects. A joint decision to determine the need and level for additional funding for each project should suffice. That joint decision having been made, USAID involvement, beyond a review of accounting data, should cease.

This conclusion is reached realizing that the Special Account will grow to nearly a billion Egyptian pounds in the near future. Pressure, however, to spend category 1 funds could result in unwarranted fueling of inflation, a fact GOE officials fully recognize.

Thus far the Special Account funds have made no measurable developmental impact. However, there is potential for such an impact within the context of AID-financed projects to the extent need and absorptive capacity permit. Prudence, not numerical goals, should dictate the rate of disbursement.

B. Recommendations

Recommendation No. 1: USAID should clarify its policies toward rationalizing CIP imports with its other assistance objectives, including criteria and response time.

Recommendation No. 2: "Project-like" packaging of selected transactions should be encouraged beforehand with adequate resources provided to monitor progress.

Recommendation No. 3: USAID should consider ways to increase the flow of information about CIP and the Production Credit Program.

Recommendation No. 4: AID/SER/COM should examine the feasibility of allowing importers to require money-backed warranties for equipment and machinery.

Recommendation No. 5: USAID should take appropriate measures to monitor the observance of the steps listed in the 1984 PAAD as leading to increased efficiency of the CIP.

Recommendation No. 6: USAID should arrange through TDY's or other appropriate means for AID personnel to verify training, planning and other preparatory steps when imports of large capital equipment are proposed.

Recommendation No. 7: An appropriate accounting system should be designed for the Special Account. USAID involvement in the programming of those funds should cease after the joint decision is made concerning which AID-financed projects are to receive the funds and the amount.

Recommendation No. 8: USAID should, on a priority basis, formulate a policy for determining when CIP transactions should be treated on a "project-like" basis or when they should be removed from CIP and made regular AID projects, taking into consideration USAID's staffing requirements. The following outlines are suggested for determining the pros and cons:

(a) More Utilization of "Project-Like" Treatment, but in Advance

Pros	Cons
1. Intervene before scandals are threatened.	1. Disbursement flows will be slowed somewhat.
2. Staff increases are minimal, mostly in C/MGT.	2. More U.S. control may seem retrogressive to GOE.
3. Instead of losing control over funds as in the case of transfer, AID would enhance control over current CIP situation where controls have not always worked.	3. Danger that "project-like" would soon become "project" as tighter controls are imposed, audits are required and documentation increases.
4. Better liaison between C/MGT and tech offices with increased complementarity between CIP and USAID projects.	4. C/MGT staff not trained as project officers.

(b) Shift Certain Activities to USAID Project Portfolio

Pros	Cons
1. Puts project activities where they belong--under tech offices which are best capable of integrating them into their ongoing activities.	1. Cuts down CIP.
2. Helps ensure better ultimate use of commodities through closer supervision by experienced project officers.	2. The sector affected will lose advantages of CIP.
	3. Project process is long, cumbersome, and signifies continued U.S. control.
	4. Possibility of marked increase in project staff with no decrease in CIP staff because only a relatively small portion of funds would be affected.

Recommendation No. 9: The Egypt CIP should be regularly evaluated at two year intervals. The following areas should be included in future scopes of work, but many items could be commenced in the near future:

a. Economic and developmental effect of dedicating 100% of the CIP to the public sector.

b. Analysis of the method by which the GOE determines the needs of its firms and agencies and the criteria by which it allocates CIP funds.

c. An in-depth analysis of a significant number of CIP recipients, both private and public, to determine the developmental impact of CIP.

d. The political and economic ramifications of converting part or all of CIP to a cash transfer.

e. The effectiveness and management use of end-use audit reports of CIP recipients.

Recommendation No. 10: When the recommended changes and improvements to the CIP/AA system have been made, the system should be re-evaluated.

Recommendation No. 11: The end-use audit system should be expanded slightly to cover a more representative cross section of all transactions. The audits should be performed in a consistent manner using a standard audit report form.

Recommendation No. 12: USAID and MPIC should consider establishing a joint commision to assume some responsibilities for managing the CIP.

CHAPTER VII. ALTERNATIVES TO THE PRESENT CIP

The scope of work includes the consideration of alternatives to the present CIP. The one most discussed by GOE and USG officials is a cash transfer of the amount now authorized for use for CIP. Below are listed suggested variations and their pros and cons. No specific recommendation is made. The subject is rife with political overtones and involves considerations which are beyond the scope of this report. A separate study on this subject could be undertaken by USAID and the Embassy at an appropriate time. At an appropriate time, USAID and Embassy may want to consider the following alternatives:

I. Total Cash Transfer

Pros	Cons
1. Reflects U.S. confidence in GOE.	1. U.S. Congressional opposition.
2. No more invidious comparisons with Israel.	2. No longer an AID matter--becomes a higher level concern.
3. Lower U.S. personnel levels.	3. Makes policy dialogue less effective.
4. If disbursed on periodic basis, would retain some negotiating effect.	4. U.S. suppliers could possibly lose market position where not yet well established.
5. Funds would be under GOE control much earlier than now.	5. Against what criteria would funds be used?
6. GOE could plan earlier and make budget and allocation decisions on more timely and effective basis.	6. Funds may not be disbursed by GOE any faster than by USG, if as fast.
7. Less AID/W involvement.	
9. Auditing could be limited to data on imports from U.S.	

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II. Partial Cash Transfer
(Approximately One-Third)

Pros	Cons
1. Same as above, but U.S. would retain control over the other 2/3 under CIP.	1. GOE might feel it was being "spoon-fed."
2. U.S. suppliers would not feel they were being shut off so abruptly from Egyptian market. Would have time to make more contacts and establish market.	2. No change in staff levels.
3. U.S. goods might be more competitive if out from under AID auspices which now gives perception of monopoly tactics, if not position.	
4. Could increase amount transferred only if U.S. imports to Egypt stayed at previous levels.	
5. Cash portion could be used to import small item transactions, leaving bulk and high value under CIP share.	
6. "Project-like" activities could be put under the cash transfer, relieving AID of responsibilities to supervise.	
7. Policy Dialogue would still have the 2/3 portion as a base.	

III. Cash Transfer by Sector

This would involve a joint decision as to which sector could most efficiently use the funds, what the relative development priority would be for that sector, and an agreement on the details of the "package".

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Pros	Cons
1. Fast disbursement.	1. Need careful coordination on the selection of the sector(s).
2. More direct impact on sectors jointly agreed upon by both governments.	2. How limit U.S. involvement once the choice is made? Does USAID then bow out of picture, or does it become more involved in trying to rationalize use of transferred funds with the projects in the sector?
3. Could be used on a selective basis, using only part of the CIP funds, USAID retaining control over the other portion.	

IV. Cash Transfer by Ministry or Organization

Similar to III above, but the recipient would be chosen more on the basis of demonstrated ability to use funds efficiently and wisely than on the sector involved.

Pros	Cons
1. By choosing best performers, obtain assurance of fast and efficient use of funds.	1. If subsequent performance not up to standards, must "punish" by reducing or taking away funds in the future.
2. U.S. voice in decision as to which organization or ministry is chosen.	2. Should past performance or development goals be the test?
3. Could use only a portion of CIP funds, with remainder in CIP regular channels.	

A variation of this approach would be cash transfer for specific activities in a given ministry or organization. This would require a project-like approval process but when the cash is disbursed USAID could step back--or can it? Would AID be responsible for checking on implementation, auditing, evaluation?

As noted, the final decision as to whether such a drastic change in the CIP is warranted will be a political decision, but there are economic and programming factors to be considered, particularly if the change is anything less than a complete conversion to a cash transfer.

APPENDICES

A. List of Interviews Conducted

B. Summary of Interviews

C. Bibliography of Documents Used in the Evaluation

D. Supporting Statistical Information and Graphs

E. List of Project Team Members

APPENDIX A

LIST OF INTERVIEWS CONDUCTED

Organization	Interviewee	Position
Ministries		
Ministry of Planning and International Cooperation	Mr. Ahmed Abdel Salam Zaki	Administrator of the Department of Economic Cooperation with USA
	Mr. Hussein Refaat	Deputy Administrator, Division for American Aid
	Mr. Nabil Gedamy	Manager, Division for American Aid
Ministry of Agriculture	Mr. Mohammad El Desouky	Deputy Minister for Foreign Affairs
	Mr. Omar El Farouk	
Ministry of Irrigation	Eng. Ahmed Helmy El Swaf	Director General for Planning and Follow-up
	Mr. Adly Nachid	Account
Ministry of Supply and Home Trade	Eng. Magdi Abd Al Gawad	Under Secretary Foreign Relations
Ministry of Health	Dr. Helmy El Badrawi	General Manager for Planning
Agencies		
Egyptian National Railways	Eng. Mohamed Maher Morsy	Vice-Chairman for the Directory Council
Electricity Authority	Dr. Hamdy El Shaer	Deputy Chairman for Operations
Supreme Council of Universities	Mr. Mustafa Kamal Mohamed	Executive Director
Cairo Bank	Mr. Samir Mansour	Deputy General Manager of Credit Department

*Indicates additional interviews

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LIST OF INTERVIEWS CONDUCTED
(continued)

Organization	Interviewee	Position
Agencies (continued)		
MISR Bank	Mrs. Eglal Galal	Manager, Import Department
	Mr. Ahmed Orman	Manager Documentary Credits
Development Industrial Bank	Mr. Mahmoud F. El Wassiefy	Manager
	Mr. Farahat S. Abdel-Sayed	Deputy General Manager
Private Sector		
Amira Dyers Company	Dr. Bishara	Chief Executive Officer
Artoc Suez	Mr. Shafik Gabr	Managing Director
Balsam Engneering	Mr. Hassan Seif El Din	General Manager
Carlin Middle East Co.	Mr. Hady Tarrab	President
Crystal Asfour	Mr. Hisham Asfour	General Manager
El Zahraa Company for Dyeing, Printing and Finishing	Mr. Talaat Shahata	Commercial Manager
Elektessadia	Mr. Henry Zaidan	Chairman
ESCIMO*	Mr. Mohamed Sef El Nasr	Chairman
	Mr. Mohamed M. Hassan	Co-Chairman
Lofti Mansour Corporation*	Mr. Ahmed Yousef	Financial Director
MANTRAC*	Mr. Yousri Abdel Aziz	Financial Director
	Mr. Mr. Ahmed Abas El-Sakar	Credit Director
Misr Foam Company*	Mr. Mohamed Abu El Lil	General Manager

*Indicates additional interviews

#794.9

APPENDIX A

LIST OF INTERVIEWS CONDUCTED

Organization	Interviewee	Position
Ministries		
Ministry of Planning and International Cooperation	Mr. Ahmed Abdel Salam Zaki	Administrator of the Department of Economic Cooperation with USA
	Mr. Hussein Refaat	Deputy Administrator, Division for American Aid
	Mr. Nabil Gedamy	Manager, Division for American Aid
Ministry of Agriculture	Mr. Mohammad El Desouky	Deputy Minister for Foreign Affairs
	Mr. Omar El Farouk	
Ministry of Irrigation	Eng. Ahmed Helmy El Swaf	Director General for Planning and Follow-up
	Mr. Adly Nachid	Account
Ministry of Supply and Home Trade	Eng. Magdi Abd Al Gawad	Under Secretary Foreign Relations
Ministry of Health	Dr. Helmy El Badrawi	General Manager for Planning
Agencies		
Egyptian National Railways	Eng. Mohamed Faher Morsy	Vice-Chairman for the Directory Council
Electricity Authority	Dr. Hamdy El Shaar	Deputy Chairman for Operations
Supreme Council of Universities	Mr. Mustafa Kamal Mohamed	Executive Director
Cairo Bank	Mr. Samir Mansour	Deputy General Manager of Credit Department

*Indicates additional interviews

#794.9

LIST OF INTERVIEWS CONDUCTED
(continued)

Organization	Interviewee	Position
Agencies (continued)		
MISR Bank	Mrs. Eglal Galal	Manager, Import Department
	Mr. Ahmed Orman	Manager Documentary Credits
Development Industrial Bank	Mr. Mahmoud F. El Wassiefy	Manager
	Mr. Farahat S. Abdel-Sayed	Deputy General Manager
Private Sector		
Amira Dyers Company	Dr. Bishara	Chief Executive Officer
Artoc Suez	Mr. Shafik Gabr	Managing Director
Balsam Engneering	Mr. Hassan Seif El Din	General Manager
Carlin Middle East Co.	Mr. Hady Tarrab	President
Crystal Asfour	Mr. Hisham Asfour	General Manager
El Zahraa Company for Dyeing, Printing and Finishing	Mr. Talaat Shahata	Commercial Manager
Elektessadia	Mr. Henry Zaidan	Chairman
ESCIMO*	Mr. Mohamed Sef El Nasr	Chairman
	Mr. Mohamed M. Hassan	Co-Chairman
Lofti Mansour Corporation*	Mr. Ahmed Yousef	Financial Director
MANTRAC*	Mr. Yousri Abdel Aziz	Financial Director
	Mr. Mr. Ahmed Abas El-Sakar	Credit Director
Misr Foam Company*	Mr. Mohamed Abu El Lil	General Manager

*Indicates additional interviews

#794.9

LIST OF INTERVIEWS CONDUCTED
(continued)

Organization	Interviewee	Position
Private Sector (continued)		
Modern Contractors*	Mr. Abdel-Hakim Abdel-Naser	Chairman
ORASCOM--Onsi Sawiris and Company*	Mr. Onsi Sawiris	Chairman
Ramsis Navigation Company*	Mr. Lamak Matoushaleh	Chairman
	Mr. Mohamed Talet Kabiel	Pilot
	Mr. Ismaiel Hangel	Pilot
Selkoplast*	Eng. Magdy Monier	Chairman
S.E.T.C.O.*	Eng. Adel Saied	Chairman
Suez Cement Company	Mr. Ahmed Shaker	Chairman
Taki-Vita Company*	Mr. Taki-Allah Helmi	Chairman
	Mr. Edward W. Girges	Production Manager
Union Carbide Egypt S.A.E.*	Mr. Massimiliano Badia	Managing Director
	Mr. H.W. Brown	Treasurer Director
Public Sector		
Alexandria Governate*	Eng. Hussien H. Rushdy	Technical Director
Cairo Governorate	Mr. Jean Coudsi	Under Secretary for Technical Affairs
Eastern Tobacco Co.	Mr. Hassan Soleib	Director General, Leaf Departments
	Mr. Sabri Abdel-Malak	Director, Leaf Sector

*Indicates additional interviews

LIST OF INTERVIEWS CONDUCTED
(continued)

Organization	Interviewee	Position
Public Sector (continued)		
Egyptian Sugar Refining	Eng. Mohamed Abdel-Al	Director
	Eng. Mahmoud El-Batoti	Director, Engineering Sector for Studies and Industrial Organization
Egyptian Shovel Company*	Eng. Abdel-Ghani Hassan	Chairman
El Azhar University* (El-Hussini Hospital)	Dr. M Hafez Sherief	Dean of Medical College
	Dr. Ibrahim Tawfik	Head of Cardiology
El Nasr Coke and Chemical Co.	Mr. Allel El Hadary	Chairman
General Authority for Reconstruction and Agricultural Development*	Mr. Hanafy Mohamed Farag	General Director for Mechanical and Electrical Projects
General Authority for Road Construction	Eng. Abdel Maksoud Ahmed	Head of Control Dept.
General Nile Company for Direct Transport	Mr. Gamiel Samuel	Director of the Financial and Economic Sector
General Nile Company for Goods Transport*	Mr. Morad Ahmed Hamdy	Director of Technical and Equipment Sector
General Nile Company for River Transport*	Mr. Mohmoud Abdel Kader	Chairman of the Transport Sector
	Mr. Abdel Hadi Metwalli	General Director of Warehouses
General Nile Company for Water Transport*	Eng. Mokbil Hafez Ghanem	Chairman

*Indicates additional interviews

#794.9

LIST OF INTERVIEWS CONDUCTED
(continued)

Organization	Interviewee	Position
Public Sector (continued)		
KAHA (Canning)	Mr. Lotfi El Said	General Manager
	Mr. Hassan Abbas	Chairman
	Mr. Essam Rushdi	Technical Engineer
	Mr. Mostafa Goutasi	Director of Exporting
Kom-Ombo Valley Company for Land Reclamation*	Mr. Mohamed Saleh Moawad	Chairman
	Mr. Fawzy Ahmed Ibrahim	Accountant
Moharem Press*	Eng. Omar Hindy	Plant Director and Vice President
Paper Manufacturing Company (VERTA)	Mr. Mahamoud El-Alfi	Financial Director
Racta Company*	Mr. Mohamed El-Ebiari	Chairman
American Embassy		
	Mr. Henry Precht	Dept. Chief of Mission
	Mr. Theodore A. Rosen	Counselor for Commercial Affairs
	Mr. Bruce Duncome	Economic Officer
USAID/Cairo		
	Mr. Michael Stone	Director
	Mr. Arthur Handly	Deputy Director
	Mr. Norman Sweet	Assoc. Dir./Prog.
	Mr. Terrance McMahon	Assoc. Dir./Contr.
	Mr. William Binns	Finance and Investment
	Mr. David Carr	Program

*Indicates additional interviews

#794.9

LIST OF INTERVIEWS CONDUCTED
(continued)

Organization	Interviewee	Position
USAID/Cairo (continued)		
	Ms. Marion Charobim	CIP
	Mr. Joseph Dajani	CIP
	Mr. Nagui El Fayoumi	CIP
	Mr. William Gill	CIP
	Mr. James Harmon	CIP
	Mr. Homi Jamshed	Controller Office
	Mr. Harold Lubell	Program
	Mr. Mohamed A. Marzouk	CIP
	Dr. William Oldham	Health
	Ms. Ingrid Peters	Program
	Mr. Arnold Peters	Program
	Mr. Arnold Radi	Agriculture
	Mr. Robert Richardson	CIP
	Mr. Norman Root	Education and Training
	Mr. Hiram Smith	CIP
	Mr. James Suma	Finance and Investment
	Mr. Robert Van Horn	CIP
	Mr. Adolph Wilburn	Education and Training

*Indicates additional interviews

#794.9

LIST OF INTERVIEWS CONDUCTED
(continued)

Organization	Interviewee	Position
AID/WASHINGTON		
	Mr. Peter Hagen	SER/COM/ALI
	Mr. Joseph Lieberson	PPC
	Mr. W. Haven North	PPC/E
	Mr. Morris McDaniel	SER/COM/NE
	Mr. Dennis Morrissey	NE/E
	Mr. William Schmeisser	SER/COM
	Ms. Monica Sinding	NE/PD/E
	Mr. Robert Thompson	PPC/E
	Mr. Thomas Tift	NE/E
	Ms. Barbara Turner	S&T
	Mr. W. Von Spiegelfeld	SER/COM/NEA
	Mr. Robert Zimmerman	NE/E

*Indicates additional interviews

#794.9

APPENDIX B

SUMMARY OF INTERVIEWS

A major component of the data collection process was the interviewing of a cross-section of individuals associated with the CIP either as administrators or participants in the program. The purpose of the interviews was to document various perspectives of the CIP participants and to gather data on the program's current policies and procedures.

Over one hundred and five persons were interviewed, representing GOE ministries, agencies, banks, public and private sector recipients of the CIP, and American Embassy and USAID personnel. Eighteen private sector users, twenty-two public sector users, and three banks were interviewed by the project team members. The CIP participant organizations were selected based upon the following factors:

- recommendations from USAID and other parties familiar with the CIP
- sector
- commodity
- potential impact upon development objectives
- size of procurement
- on-going use of the CIP
- one-time use of the CIP

Project team members used a structured interview format which facilitated the efficient collection and recording of responses pertinent to issues and questions raised about the CIP. Each interview was normally conducted by two project team members, with at least one having fluent Arabic.

Organizations interviewed received a letter from the Ministry of Planning and Investment Cooperation (MPIC) describing the purpose of the evaluation and requesting their participation in the evaluation. Between twenty to thirty percent of those who received letters did not respond to MPIC's request and could not be contacted for follow-up. However, for the most part, once appointments were made, interviews followed. The forms were tested and revised as the interviews progressed and questions changed with experience. Specific questions were added for the last twenty-five interviews to determine with more precision the impact of the CIP on Egypt's development goals as stated in the Five Year Plan.

In several instances, interview time was interrupted or insufficient to ask all the questions on the interview form. Consequently, information obtained during those interviews was more useful in understanding specific applications of the CIP to individual organizations than in obtaining quantifiable sector-wide or industry-wide data.

Generally, the interview teams received frank responses to questions posed even though the answers were not always keyed to the specific questions asked. Questions concerning recommendations for improvements to the CIP procedures, both with

respect to USAID and GOE regular terms and practices, elicited the best responses. Private and public organizations were reluctant to discuss their financial information. This inhibited the analysis of the impact by industry or sector. In the private sector, it was apparent from the responses that the effect of the CIP was marginal. This appears to be due to limitations on the maximum amount of a transaction. However, the funds were nonetheless welcomed. Private sector officials were more straight forward than their public sector counterparts when discussing faults in the system.

The following provides a summary of the more significant responses. Information of a more subjective nature concerning perceptions and experiences with the CIP has been combined with objective and quantifiable data in analyzing the overall impact of the CIP.

SUMMARY OF STRUCTURED INTERVIEWS

I. QUESTIONS RELATED TO THE CIP IMPACT ON ECONOMIC GROWTH

1. Can CIP be linked to expanded production or services in recipient firms?

Public Sector

Yes	20
No	2
	22

Examples of Comments:

The Suez Canal Authority noted a large increase in control and safety of canal traffic due to implementation of the Vessel Tracking and Monitoring System (VTMS) financed through the CIP.

The El Sharkia Tobacco Company said that the CIP financed procurement of American tobacco which allowed them to introduce a line of higher quality cigarettes.

The Cairo Governorate reported that refuse collection for Cairo was improved and is currently being expanded through CIP funds. This additional capacity has enabled collection of greater quantities through use of hydraulic compactors procured through the CIP. The collection also covers a broader geographic area, particularly in lower income quarters.

The Alexandria Governorate also reported that not only trash collection but rescue and traffic facilities were improved and expanded through use of CIP funds.

The Egyptian Sugar Refinery Company said that the quality of their product had been improved through the use of CIP-imported machinery.

140

Private Sector

Yes	10
No	8
	18

Ten of the eighteen private sector companies interviewed reported expanded or improved production. No changes in product mix were reported. However, there were some improvements in consumer mix reported.

2. Can CIP be linked to expanded or improved facilities in public and private sector firms?

	Private Sector	Public Sector
Infrastructure/ Facilities Improved	8	13
Not Improved	10	8
	18	21

Public sector improvements noted were newly-established training courses and a maintenance department at the Cairo Governorate. Other improvements included expanded transport and shipbuilding activities as well as the new VTMS section at the Suez Canal Authority. Replacement of transportation facilities and marine engines was also cited as an improvement resulting from CIP funds.

141

3. Can CIP be linked to improvement/expansion of activities in general or in a given industry?

	Public Sector	Private Sector
No Impact	0	6
Some Impact	22	12
	22	18

In general, private sector respondents indicated that there was some impact on their respective industries. Tobacco and textiles are examples of positive impact in terms of improvement and expansion of production in the public sector.

For tobacco production, the impact was seen in the importation of higher quality tobacco at favorable terms. For textiles, the new machinery enabled the industry to develop new product lines using synthetic fibers in place of cotton.

4. Can CIP be linked to increases in employment in recipient firms?

	Private Sector	Public Sector
Yes	8	7
No	10	15
	18	22

The CIP funding of VTMS and increased shipbuilding capacity has resulted in increased employment at the Suez Canal.

142

Another organization involved in sugar refining identified a decrease in employment due to introduction of capital intensive processes.

The CIP funds used for refuse collection equipment have changed the skill mix of employment for Cairo Governorate. More highly trained/skilled personnel are required and less unskilled labor is needed.

5. Can CIP be linked to improved employment conditions, such as safety or environment?

	Private	Public
Yes	7	2
No	6	10
	13	12

U.S. machines are thought to be safer than other European made machines. New hydraulic trucks used for refuse collection reportedly improve environmental and health conditions for refuse collection employees.

Pretreated chemicals and dyes imported under the CIP are believed to provide better health and safety conditions for laborers.

6. Can CIP be linked to public sector industry or sector wide impacts?

Based upon overall comments regarding the CIP, recipients in public and private sectors see the CIP as a means to modernize certain industries without competing for scarce financial resources that may be budgeted for other purposes.

	Public Sector
Some Impact	21
No Impact	1
	22

The impact was noted by public sector organizations in terms of new equipment, improved efficiency, and generation of hard currency for the country. A specific example is the Egyptian National Railways. Officials indicated that the CIP made possible rehabilitation and replacement of cars, increase in the fleet number and increase in pulling power. All of these factors assist them in meeting the need for services.

The Egyptian Sugar Refinery Company cited similar impacts in rehabilitation, increase of efficiency and improvement of capital/labor ratio.

7. How well has CIP met Egypt's foreign exchange requirements?

In discussions with several public and private sector recipients it was suggested that, while the CIP program was helpful for Egypt's foreign exchange requirements, there was a general preference for a cash transfer program in lieu of the current system. Several recipients also noted that the ability to purchase goods at an exchange rate of U.S. $1 = L.E. .84 was positive in terms of cutting down the expense of the goods and facilitating the purchase of new machinery.

8. How have CIP terms and conditions changed over time?

Private Sector

In the private sector it was widely held among those interviewed that the interest rate terms had increased over time to the current high level.

Public Sector

The public sector felt that the CIP terms were favorable and encouraged participation in the program. Those interviewed appeared resigned to the fact that the terms and allocations are determined by GOE and were aware of the different terms used for private sector organizations as compared to public agencies. Also noted was the generally higher cost associated with the U.S. Cargo Preference Law (50/50 shipping).

145

Another issue mentioned in several interviews was the higher price of U.S. commodities over those that could be purchased in the open market.

9. Determine CIP costs versus benefits to recipient firms.

	Private Sector	Public Sector
Benefits Exceed Costs	16	19
Benefits Equal Costs	2	3
Costs Exceed Benefits	0	0
	18	22

Public Sector

Many commented that the CIP goods provide higher quality final products and credit available at better rates. Some noted that funds from Japanese, German and Italian loans are available at better rates.

Private Sector

It was generally concluded that hard currency through the CIP was more easily available to facilitate imports of desired goods.

10. Is the public sector delivery system efficient and effective?

146

For the most part, public sector recipients interviewed seem to accept the CIP system at face value as it is not substantially different from other programs with specific administrative regulations that are equally or more cumbersome.

However, there appeared to be several areas which were consistently mentioned as needing improvement:

- allocation of funds on a more planned and scheduled basis
- reduction of the down payment requirement
- elimination of the U.S. flag requirement

11. Has CIP use enlarged importers' lines of credit?

	Private Sector	Public Sector
Yes	1	1
No	17	19
Not Applicable	0	2
	18	22

In general, neither public nor private sector recipients think of the CIP program as extending or adding to their normal lines of credit with banks.

II. QUESTIONS RELATED TO DEVELOPMENTAL IMPACT OF THE CIP

Twenty-five interviews of users in the public and private sectors were conducted specifically to assess the impact of the

CIP in Egypt's development goals in the Five Year Plan. The results of these interviews are summarized below:

1. Has output generated as a result of CIP been used as input for other industries?

	Private	Public
Yes	10	11
No	2	2
	12	13

Based upon responses, the output generated through the use of the CIP appears to create linkages to develop use of certain resources. Examples given in private sector interviews include multi-conductor and coaxial cables, corrugated containers, water pumps, foam, and paper products. These are used as inputs in several economic activities related to development such as housing, construction, land reclamation, product packaging, and transportation services.

2. Has output generated as a result of the CIP been exported or used to support export promotion activities?

	Private	Public
Yes	2	9
No	10	2
Not Applicable	0	2
	12	13

3. Did output generated as a result of the CIP induce use of locally procured inputs?

	Private	Public
Yes	1	3
No	11	10
	12	13

There was some evidence of increased use of locally procured inputs or ingredients. In the production of multi-conductor and coaxial cables, the use of local copper and plastic increased more than three-fold and the use of local starch and printing materials had increased through the production of corrugated containers.

4. Has the CIP been used to promote import substitution activities?

	Private	Public
Yes	10	3
No	1	5
Not Applicable	1	5
	12	13

Most of the private sector firms interviewed indicated that the output generated as a result of the CIP was previously imported. For example, the country was previously importing about L.E. 15 million a year worth of dry batteries from Europe. Presently, the equivalent quantity is being produced by Union Carbide Egypt. Products manufactured by Taki and Misr Foam were previously imported from Lebanon. These products are presently produced in Egypt. Services now provided by

Ramsis Navigation Company in the agriculture and irrigation sectors were previously provided by companies from Eastern European countries such as Poland and Bulgaria. However, Ramsis still faces strong competition from those companies, who consistently underbid their services.

5. Does the output generated as a result of the CIP (or the CIP in general) meet GOE developmental priorities?

	Private	Public
Yes	12	13
No	0	0
	12	13

All participants indicated that the use of the CIP in their sectors or organizations have met GOE developmental priorities. A key priority noted by several was food security. Eight firms reported that the CIP helps them directly in achieving this goal. Another twelve companies reported that the output or services resulting from the use of the CIP meets this priority indirectly. This occurs through land reclamation (horizontal expansion of agriculture areas) and more efficient regional distribution of basic food and other commodity inputs.

Six companies have reported that the output resulting from the use of the CIP facilitates export promotion either directly or indirectly, a GOE priority. Six companies also reported that the services generated as a

result of CIP meet GOE developmental priority in the areas of housing and road construction. Five organizations reported that the GOE priority of developing local government and public services was met through use of the CIP. Examples were improved equipment for refuse collection, traffic control, and rescue and fire-fighting. This equipment is made available through the CIP allocation to the Governorates directly, or indirectly through the Ministry of Local Governments. Four cases were reported where achievement of the developmental priority for health, education, and human development was evidenced. This included equipment provided through the CIP to the Ministry of Health, University of Al-Azhar Hospital, and the Higher Council of Universities.

7. Does CIP help in achieving the participants' business/financial plan?

	Private	Public
Yes	5	10
No	7	3
	12	13

Private sector firms indicated that the uncertainty of the CIP allocations, procurements, and delivery of goods prevent most of them from incorporating the CIP in their plans for expansion or routine production and that they consider CIP as a resource for inventory building. Conversely, the majority of the public sector companies reported that the CIP was specifically incorporated in their plans for achieving yearly goals. This seems to reflect a stabilizing effect of the CIP on the public sector.

III. QUESTIONS RELATED TO POLICY ISSUES

1. Has policy regarding interest rate and lending terms changed as a result of CIP?

		Banks
a.	Term Lending	0 Yes 3 No 3
b.	Structure of Bank Lending	0 Yes 3 No 3
c.	Amount in Terms of Loans	0 Yes 3 No 3
d.	Collateral Requirements	0 Yes 3 No 3
e.	Other Conditions	0 Yes 3 No 3

2. How can the CIP be improved?

   Selected summary comments:

   a. Ministries:

   - prefer straight cash transfer of funds to buy cheapest available goods
   - relax USAID constraints overall
   - more support on a project basis
   - more freedom in managing funds
   - more funds at lower interest rates

b. Government Agencies:

- more advance notification of availability of funds to facilitate better planning for and use of funds
- USAID/CIP employees should make more personal contact with Egyptian users
- CIP program should receive greater publicity

c. Banks and Financial Institutions:

- greater publicity for CIP program
- lower interest rates (specifically for private sector)
- eliminate U.S. flag requirement
- eliminate/raise $500,000 per transaction limit
- allow importation of U.S. goods made outside U.S.
- increase funds available to private sector

d. Private Sector

- eliminate/raise $500,000 per transaction limit
- reduce interest rates and lengthen repayment period
- open bidding to international market to enable purchase of cheapest commodity
- greater publicity of CIP program
- increase participation for private sector's banks
- short list of suppliers
- more flexibility and power to AID Cairo to speed procedures

153

e. Public Sector

- allocation of CIP funds should be based upon need
- eliminate fixed percentage of CIP for tobacco industry
- CIP transactions should be processed through one bank only
- unused funds should be reallocated at the end of each year
- requirements for open bidding process in the U.S. should be eliminated
- forty-five day inspection period prior to U.S. shipping should be extended
- since a performance bond is not a guarantee of quality goods, a money performance bond for a given period would be useful
- limit the number of suppliers to which bids are open -- provide "short list" for importers
- the terms of lending from MPIC and GOFI should be changed to be more favorable for basic public industries
- consider allocation of CIP funds on a project basis rather than a commodity basis
- greater advance notice on funds allocation would promote better planning for and use of CIP funds
- less interference from AID/Washington in determining needs
- improve information system regarding CIP system and procedures
- allocation of funds should be made well in advance so it can be used for planning purposes
- increased quantity of corn importation would help keep chicken prices down

- reduce 25% downpayment requirement--it causes a liquidity problem
- less restrictions on civil work requirement prior to importation.

f. USAID/Embassy

- reduce interest rates
- CIP should be made more available to non-urban areas
- USAID should concentrate more funds and interest in the private sector
- CIP should be used for more large bulk commodity shipments since these procurements appear to be most efficient
- capital goods should not be shipped until facilities are ready to receive them
- no more printing facilities should be financed

3. How do private sector firms learn about CIP funding?

2	could not recall
1	recipient was approached by USAID
2	through organization for private sector businessmen
12	through professional acquaintences
1	through bank announcement
18	

It was consistently noted that there should be more effort to make eligible users aware of the program.

155

4. How does the CIP compare to other funding mechanisms in terms of cost, timeliness, etc.?

	Banks	Private Sector	Public Sector
CIP documentation requirements are:	2 same 1 easier 3		
CIP efficiency is:	3 better 3		
CIP timeliness is:	2 better	3 better	3 better 3 same
	1 worse	11 worse	13 worse
	—	4 same	3 no comment
	3	18	22
Comments:		. GOFI has caused a bottleneck	. CIP has less paperwork than other . CIP boilers took 3-4 years for delivery
CIP costs of operation are:	2 same 2 lower	5 more expensive 1 same	13 less expensive 3 same 3 more expensive
	4	12 less expensive 18	3 no comment 22
Comments:		. CIP costs are more expensive for freight and less expensive commodities	.CIP interest and exchange rates are the best available

. CIP costs have increased greatly in recent years

CIP in comparison with similar programs in other countries is:

8 better than others	9 better than others
3 not as good as other programs	3 not as good as others
4 not familiar with other programs	2 same as others
1 better than others long term, not as good as others short term	8 no comment
2 not as good as other programs in recent years	
18	22

Comments:

. CIP restriction to U.S. goods is a limiting factor

. Japanese and West German program terms are more favorable

. CIP is simpler than others since CIP is allocated by MPIC and is available for direct use. Other countries approval and allocation process is more complicated (e.g. Germany)

157

5. Has CIP contributed to socio-economic changes in Egypt? Some examples of changes that were noted:

GOE Agencies

- current improvements in education facilities will have socio-economic impact in the future
- overall increase in standard of living

USAID

- increased production of electricity
- computerization of social insurance system made more funds available more efficiently
- road construction
- medical equipment
- agricultural/farm implements

6. Have there been "spread effects" of CIP to related industries and consumers?

Based upon the interviews, most respondents were unaware of any spread effects or made no comment. However, two respondents noted that significant changes in their industries resulted from equipment imported under the CIP. The general impact of these changes was a reduction in the cost of production and improved quality of production which reduce costs to the consumer. For example, in the textile industry, there has been a movement from cotton to polyester and knits. This is a significant change in the industry and in the availability of goods for the Egyptian consumer. Also noted was the fact that new, more sophisticated equipment improved the health and safety of the laborer.

Appendix C

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160

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164

Table D-1

Gross Domestic Product (GDP) Per Sector in

Current Million Egyptian Pounds 1974-1981/82

Year / Sector	1974	1975	1976	1977	1978	1979	1980/81	1981/82
Agriculture	1846.60	2052.10	2407.20	2840.60	3472.80	3726.00	5091.20	5625.60
Industry	3211.30	3789.80	4347.90	4944.70	5783.90	8639.50	11380.10	12728.00
Electricity	60.70	86.00	94.80	109.70	132.00	136.70	203.70	244.40
Construction	308.30	577.00	662.00	843.10	1218.00	1694.00	1885.00	2160.00
Total Goods Sector	5426.90	6504.90	7511.90	8738.10	10609.50	14196.20	18560.00	20758.00
Transportation	294.90	399.30	554.80	673.20	904.50	1241.00	1955.10	2316.10
Finance & Trade	1181.60	1455.90	1820.80	2195.40	2811.10	3677.20	4872.70	6195.90
Total Distribution Sector	1476.50	1855.20	2375.40	2868.60	3715.60	4918.20	6827.80	8512.00
Public Utilities	26.20	28.30	31.10	35.00	40.00	47.00	60.50	66.00
Other Services	1413.90	1672.30	1885.90	2155.80	2369.80	1671.80	3802.40	4574.30
Housing	209.50	216.00	230.00	202.00	271.00	297.00	330.70	400.00
Total Service Sectors	1644.60	1916.60	2147.00	2392.80	2680.80	2015.80	4193.60	5040.30
TOTAL	8559.00	10276.60	12034.50	14049.50	17004.20	22130.20	29581.40	34310.80

Source: Ministry of Planning "Minister Office". Cairo, Egypt, 1974 - 1981/82

Table D-2

National Resources in Million Egyptian Pounds

1974 - 1982

Source	Year							
	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
GNP (Factor Cost)	5061.00	6164.00	7399.90	9013.20	12068.00	11882.00	15808.00	19639.00
Rate of Change	20.50	21.80	20.00	21.80	33.90	-1.50	33.00	24.20
Indirect Taxes	807.00	968.00	1196.60	1327.90	1772.40	2263.00	2565.50	3088.00
Proportion of the Total	0.14	0.13	0.13	0.10	0.12	0.15	0.14	0.13
Net Transfers	-23.50	-128.00	-422.60	1020.70	949.10	620.00	836.00	8.00
Proportion of the Total	-	-	-	0.08	0.06	0.04	0.04	0.03
TOTAL	5845.00	7260.00	9019.10	13062.00	14789.00	14765.00	19210.00	23528.00
National Deficit	2144.00	1567.20	9.30	1292.00	2541.00	1452.00	805.00	20.30

Source: Ministry of Planning "Minister Office", Cairo, Egypt, 1974 - 1981/82.

166

Table D-3

Allocation of Gross Private Investment to Economic Sectors

In Current Million Egyptian Pounds 1974 - 1981/1982

Year / Sector	1974	1975	1976	1977	1978	1979	1980/81	1981/82
Agriculture	2.50	6.00	6.10	17.40	31.90	40.00	124.50	177.70
Industry	3.50	25.00	52.40	92.40	123.50	188.20	156.60	180.00
Electricity	-	-	-	-	-	-	11.70	1.50
Construction	0.30	0.50	7.50	9.90	22.30	57.30	24.00	26.00
Transportation & Storage	4.00	24.80	6.70	8.20	19.30	40.00	142.00	178.00
Finance & Trade	3.00	4.00	2.00	2.00	2.00	5.00	-	6.00
Housing	15.60	45.60	38.90	45.00	70.00	110.00	515.00	573.00
Public Utilities	-	-	-	-	-	-	-	600.00
Services	1.50	1.70	31.90	39.00	64.50	80.00	4.81	5.40
TOTAL	30.40	107.60	145.50	213.90	333.50	521.00	908.08	1147.50

(a) Source: Ministry of Planning "Minister Office". Cairo, Egypt, 1974 - 1981/82

Table D-4

Allocation of Gross Public Investment to Economic Sectors

In Current Million Egyptian Pounds 1974 - 1981/82

Year / Sector	1974	1975	1976	1977	1978	1979	1980/81	1981/82
Agriculture	26.70	40.30	92.40	129.00	159.40	218.00	97.00	78.60
Irrigation & Drainage	25.00	37.00	-	-	-	-	191.50	168.20
Industry & Storage	227.50	357.30	326.30	468.60	641.50	822.00	866.70	757.40
Oil	-	-	28.60	48.70	62.00	77.00	274.60	149.40
Electricity	30.00	49.30	59.40	109.00	102.70	234.00	305.10	282.30
Construction	10.30	22.30	72.80	38.50	110.00	103.00	133.10	137.80
Transportation	186.00	348.90	366.20	425.10	672.50	863.50	1088.50	924.40
Trade & Finance	4.70	8.20	23.90	27.80	34.80	65.00	127.30	90.20
Housing	35.90	123.70	88.90	80.50	86.40	101.00	30.90	135.40
Public Utilities	28.70	39.20	45.00	66.20	95.60	165.00	349.80	272.80
Services	24.40	70.10	64.80	99.00	147.40	212.00	-	-
Undistributed	-	-	-	-	-	-	-	-
TOTAL	617.20	1096.30	1168.20	1502.40	2212.30	2895.50	3950.90	3350.20

Source: Ministry of Planning "Minister Office", Cairo, Egypt, 1974 - 1981/82

Table D-5

Allocation of Private Sector Investment

1974-1982

Year / Sector	1974	1975	1976	1977	1978	1979	1980	1971	1982
Agriculture (%)	8.2	5.1	4.5	5.6	6.2	11.60	14.0	14.30	4.2
Industry (%)	11.5	31.70	34.0	24.9	41.80	26.60	26.9	26.5	25.6
Electricity (%)	-	-	-	-	-	0.7	0.2	0.2	0.2
Transportation (%)	13.3	4.9	7.3	14.5	8.8	12.4	7.9	7.5	7.4
Housing (%)	59.2	54.0	49.7	47.2	29.8	36.5	- 39.7	40.9	41.2
Public Utilities (%)	-	-	-	-	-	1.3	0.1	0.2	0.1
Finance and Trade (%)	1.6	1.1	0.7	1.1	0.9	0.8	0.5	-	0.9
Services (%)	3.9	1.7	0.5	3.1	4.7	3.7	5.2	5.1	5.10

Source: Ministry of Planning "Minister Office". Cairo, Egypt, 1974 - 1981/82

Table D-6

Investment Allocation According to the Source in Current Million Egyptian Pounds 1974 - 1982 (a)

Year / Source	1974	1975	1976	1977	1978	1979	1980	1981	1982
Total Investment	527.00	1171.00	780.00	1544.00	2499.00	2821.00	4171.00	4050.00	[illegible]
Rate of Change	23.10	122.40	-33.40	97.80	61.80	12.90	47.90	-3.0[illegible]	[illegible]
Local	245.00	701.00	467.00	758.00	1186.00	1544.00	2546.00	1953.00	2155.00
% of the Total	0.47	0.60	0.60	0.49	0.48	0.55	0.55	0.48	0.50
Hard Currency	63.00	264.[illegible]	188.00	469.00	434.00	395.00	4[illegible].00	6.51	784.00
% of the Total	0.12	0.23	[illegible].24	0.30	0.17	0.14	0.12	0.21	0.18
Credit	22.00	204.00	1[illegible].00	319.00	878.00	882.00	1233.00	1245.00	1374.00
% of the Total	0.04	0.17	0.16	0.21	0.35	0.30	0.31	20.30	0.32

(a) Source: Ministry of Planning "Records of Investment Plans. Cairo, Egypt, 1960 - 1986/87.

70

Table D-7

Annual Changes in the Investment

In All Sectors 1974-1982

Year	Annual Change
1975	23.10
1975	122.40
1976	-33.40
1977	97.80
1978	61.80
1979	12.90
1980	47.90
1981	-3.00
1982	6.00

Source: Ministry of Planning "Records of Investment Plans". Cairo, Egypt, 1960 - 1986/1987.

171

Table D-8

Egyptian Exports and Imports in

Current Million Egyptian Pounds 1974 - 1982

Year	Exports				Imports	
	Agric. Goods	Mining Products	Indus. Goods	Total	Agri. Sectors	Total
1974	153.80	29.70	101.70	285.30	27.00	516.60
1975	138.40	33.60	124.60	296.70	34.70	644.40
1976	256.60	113.40	225.50	295.50	36.10	1489.90
1977	283.30	121.00	264.20	668.50	39.30	1884.30
1978	219.90	171.40	288.50	679.80	56.80	2854.10
1979	375.10	430.00	482.70	1287.80	57.50	2956.50
1980/81	427.90	1793.20	792.70	3013.80	90.00	4920.90
1981/82	454.90	1822.60	875.40	3152.90	141.40	7274.20

Source: Ministry of Planning "Minister Office". Cairo, Egypt, 1974 - 1981/82.

172

Table D-9

Wholesale Price, Cost of Living,

and Import Indices (1974 = 100), 1974/1982

Year	Whole Sale	Cost of Living	Imports
1974	100.00	100.00	100.00
1975	109.30	101.10	124.70
1976	120.60	111.50	288.40
1977	133.00	125.10	364.80
1978	147.40	152.20	552.50
1979	168.50	151.70	572.30
1980	193.60	178.30	952.60
1981	200.40	199.20	1259.90
1982	207.00	228.30	1408.10

Source: Ministry of Planning "Central Finance Department". Cairo, Egypt, 1974 - 1982.

173

Table D-10

Nominal and Real Exchange Rate, Suez Canal Dues, Tourism, Workers' Remittance in Current Million Egyptian Pounds 1974-1982

Year	Exchange Rate Nominal	Exchange Rate Real	Suez Canal Dues	Tourism	Workers' Remittance
1974	2.55	2.55	-	74.60	-
1975	2.55	2.33	33.20	109.30	-
1976	2.55	2.11	121.70	185.10	-
1977	2.55	1.92	167.40	255.40	358.20
1978	2.55	1.73	284.60	229.20	644.50
1979	1.43	0.85	416.30	[illegible].50	610.50
1980	1.43	0.74	546.30	413.50	854.40
1981	1.43	0.71	636.30	321.80	532.70
1982 1st Quarter	1.43	-	160.70	59.90	165.10

Source: National Bank of Egypt "Economic Bulletin". Cairo, Egypt. Vols. XXXIII - No. 1, XXXV - No. 2, XXXVI - No. 1, 1980-1983.

Table D-11

Balance of Payments - Capital Account

(In millions of Current Dollars) 1978-1983/84

Year / Items	1978	1979	1980/81	1981/82	1982/83	1983/84	
Current Account Deficit	-928.00	-1519.00	-1271.00	-2116.00	-1733.00	-2150.00	5625.60
Total Financing Required	2300.00	2235.00	2731.00	3636.00	3200.00	3850.00	
Direct Investment	315.00	600.00	386.00	625.00	650.00	700.00	
International Assistance	1100.00	1158.00	1626.00	1389.00	1747.00	1800.00	
U.S. Total	500.00	658.00	1035.00	839.00	1137.00	1100.00	
CIP	300.00	265.00	387.00	242.00	302.00	280.00	
PL 480	200.00	245.00	298.00	292.00	270.00	220.00	
Projects	50.00	150.00	350.00	305.00	565.00	600.00	
Other Bilateral	-	-	391.00	300.00	310.00	400.00	
Multi-lateral	-	-	200.00	250.00	300.00	300.00	
Supplier Credits	385.00	477.00	1174.00	1050.00	1120.00	1100.00	
Error	-	-	-597.00	36.00	-572.00	250.00	

Source: AID-PAAD: FY 1982 Commodity Import Program, Amendment No. 1, for the years 1978 and 1979.

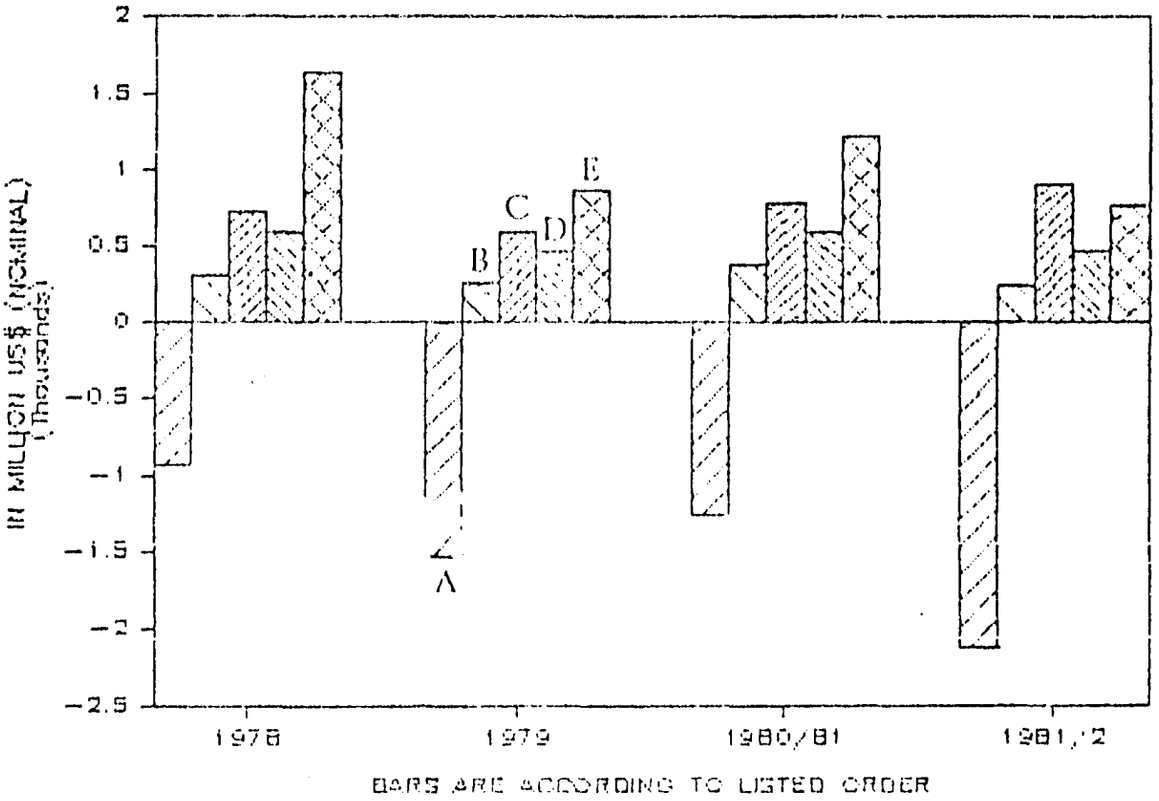
AID-PAAD: FY 1984 Commodity Import Program, for the rest.

175

Figure D-1

CURRENT ACCOUNT BOP, CIP, SUEZ CANAL

REV., TOURISM REV. & WORKERS REMITTANCE



Source: Tables D-10, D-11

A - CURRENT ACCOUNT BOP

B - CIP

C - SUEZ CANAL REVENUE

D - TOURISM REVENUE

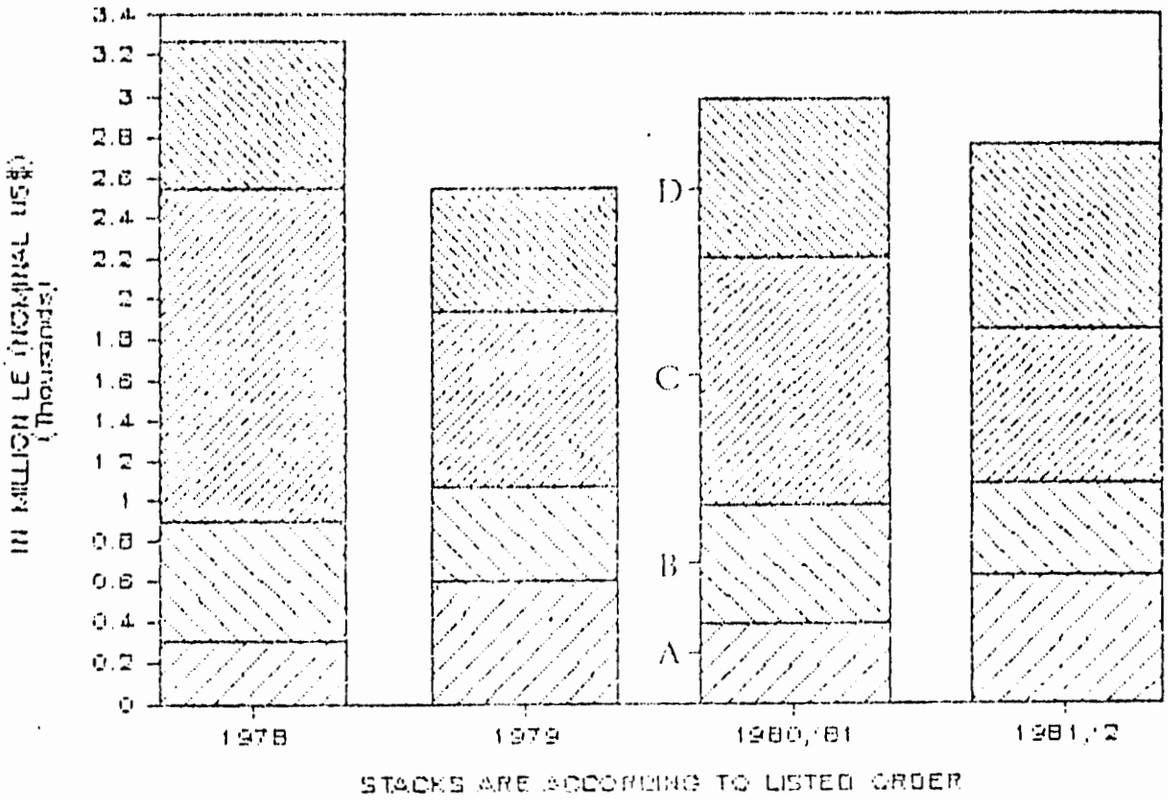
E - WORKERS REMITTANCE

176

Figure D-2

DIRECT INVESTMENT (BOP), TOURISM, WORK

ER REMITTANCES AND SUEZ CANAL REVENUE



Source: Tables D-10, D-11

A - DIRECT INVESTMENT (BOP)

B - TOURISM REVENUE

C - WORKER REMITTANCES

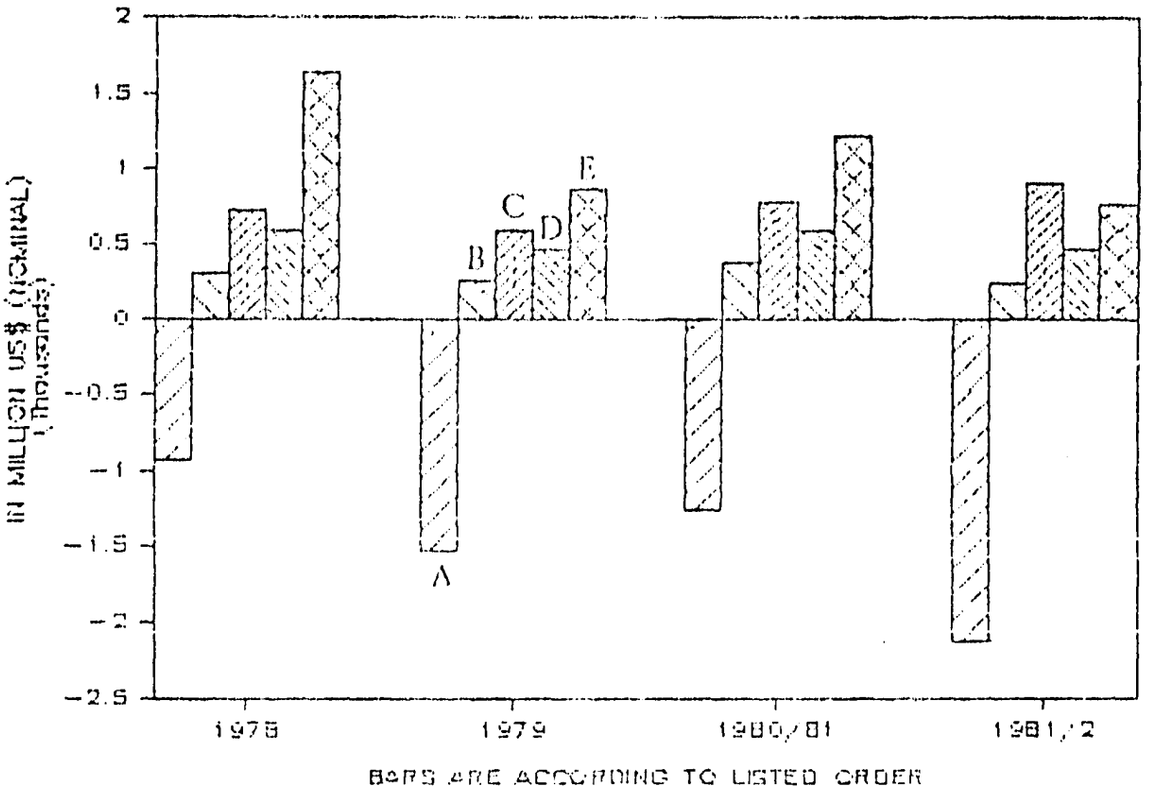
D - SUEZ CANAL REVENUE

177

Figure D-1

CURRENT ACCOUNT BOP, CIP, SUEZ CANAL

REV., TOURISM REV. & WORKERS REMITTANCE



Source: Tables D-10, D-11

A - CURRENT ACCOUNT BOP

B - CIP

C - SUEZ CANAL REVENUE

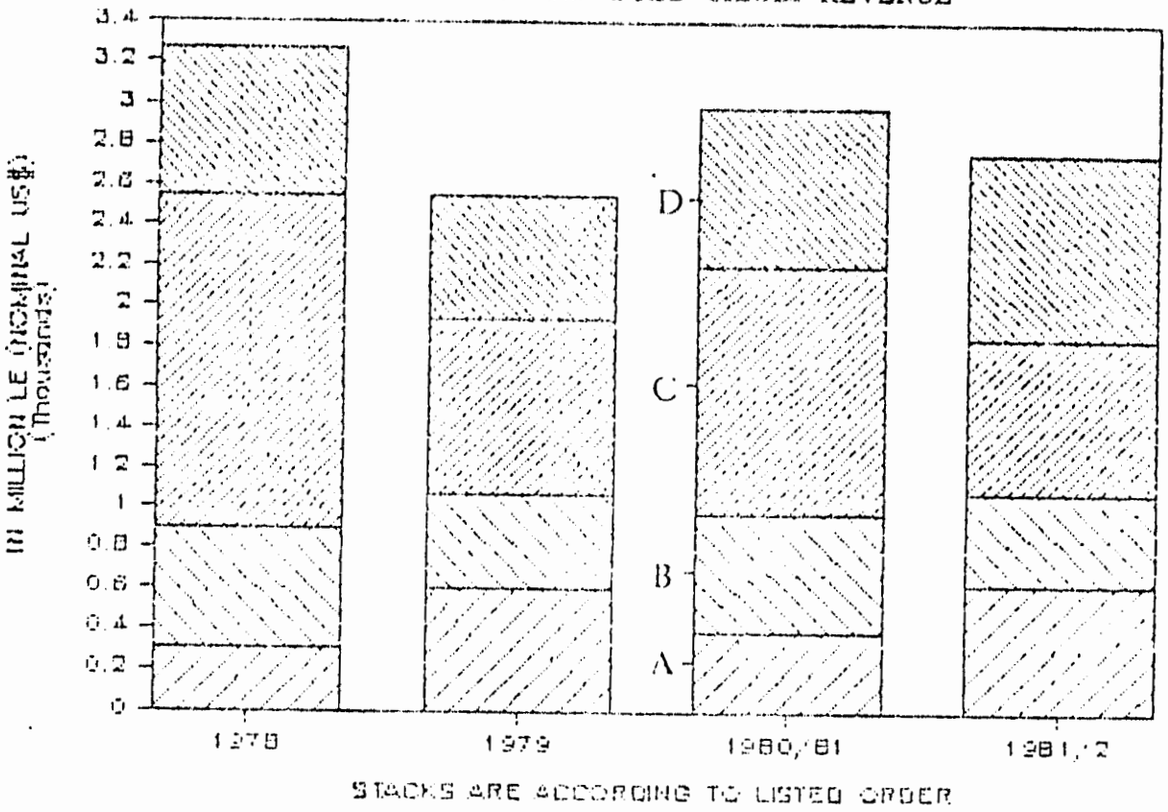
D - TOURISM REVENUE

E - WORKERS REMITTANCE

178

Figure D-2

DIRECT INVESTMENT (BOP), TOURISM, WORKER REMITTANCES AND SUEZ CANAL REVENUE



Source: Tables D-10, D-11

A - DIRECT INVESTMENT (BOP)

B - TOURISM REVENUE

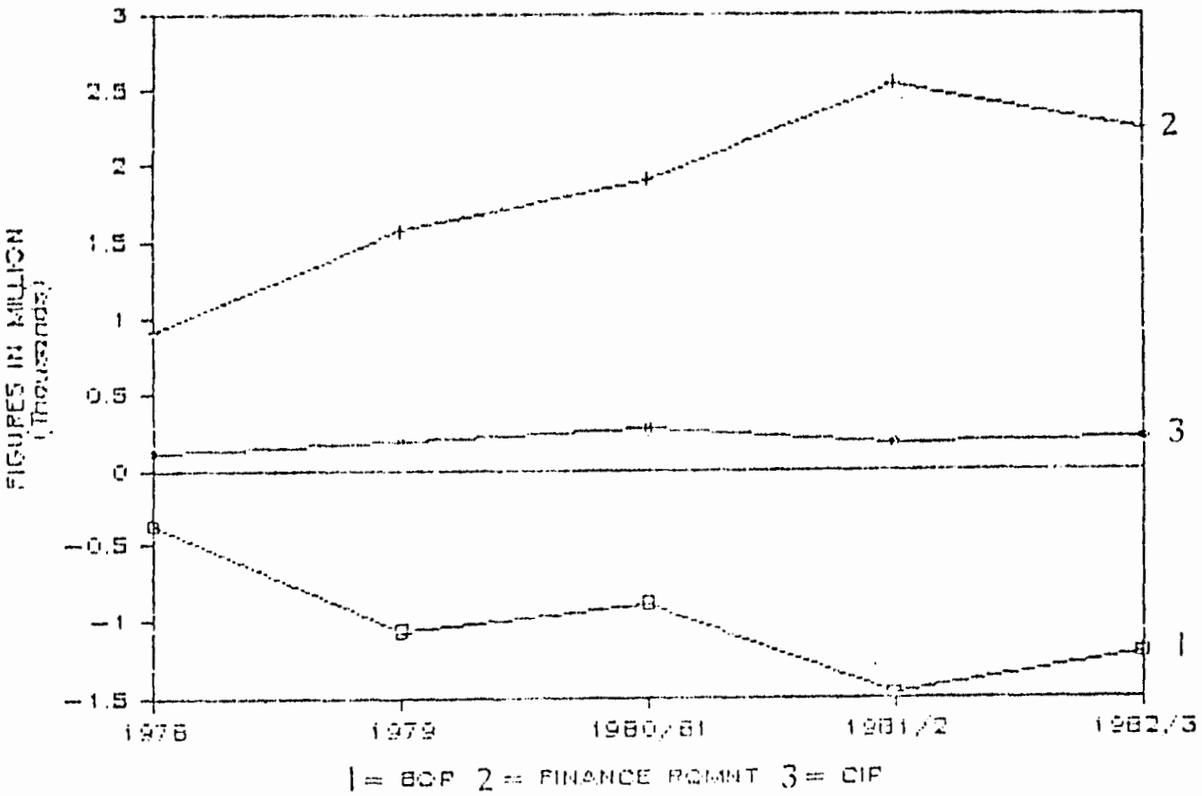
C - WORKER REMITTANCES

D - SUEZ CANAL REVENUE

179

Figure D-3

CURRENT ACCOUNT BOP, FINANCIAL
REQUIREMENT BOP AND CIP AT NOMINAL LE

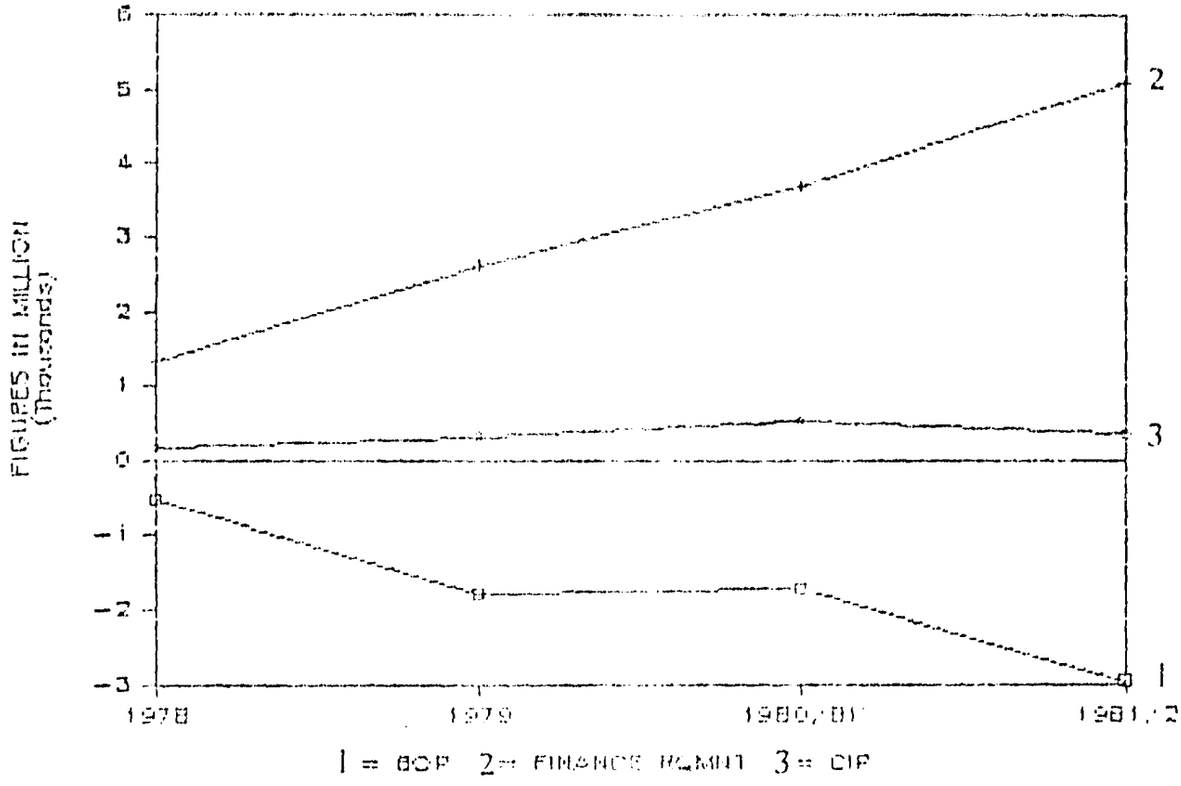


Source: Table D-11

150

Figure D-4

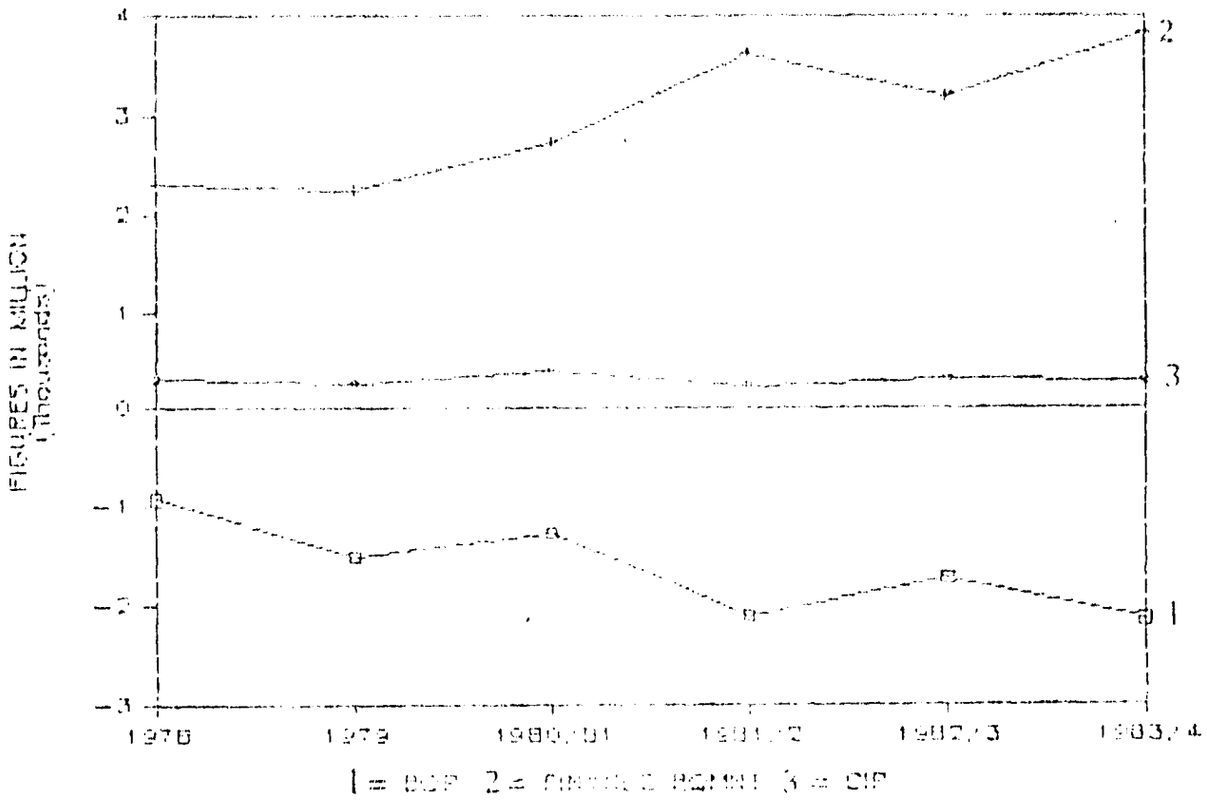
CURRENT ACCOUNT BOP, FINANCIAL
REQUIREMENT BOP AND CIP IN REAL LE



Source: Tables D-9 through D-11

Figure D-5

CURRENT ACCOUNT BOP, FINANCIAL
REQUIREMENT BOP AND CIP IN NOMINAL US $

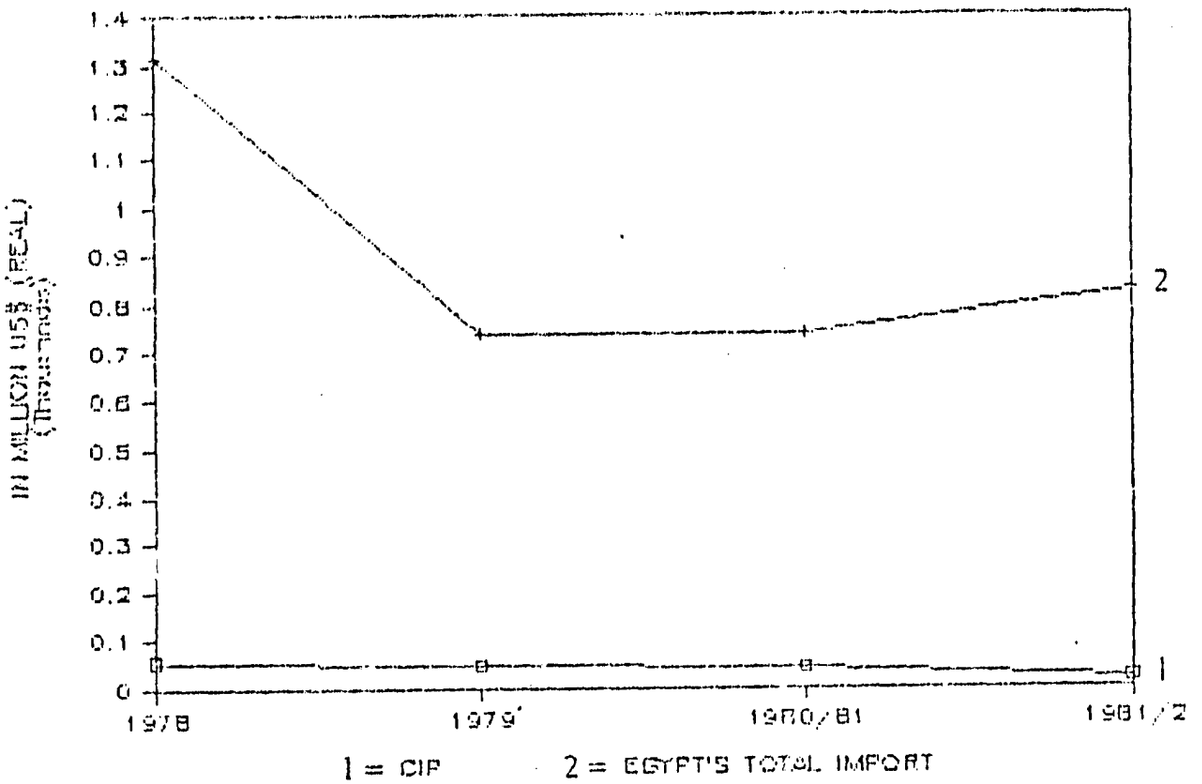


Source: Table D-11

Figure D-6

CIP IMPORT AND EGYPT'S TOTAL IMPORT

COMPARISON

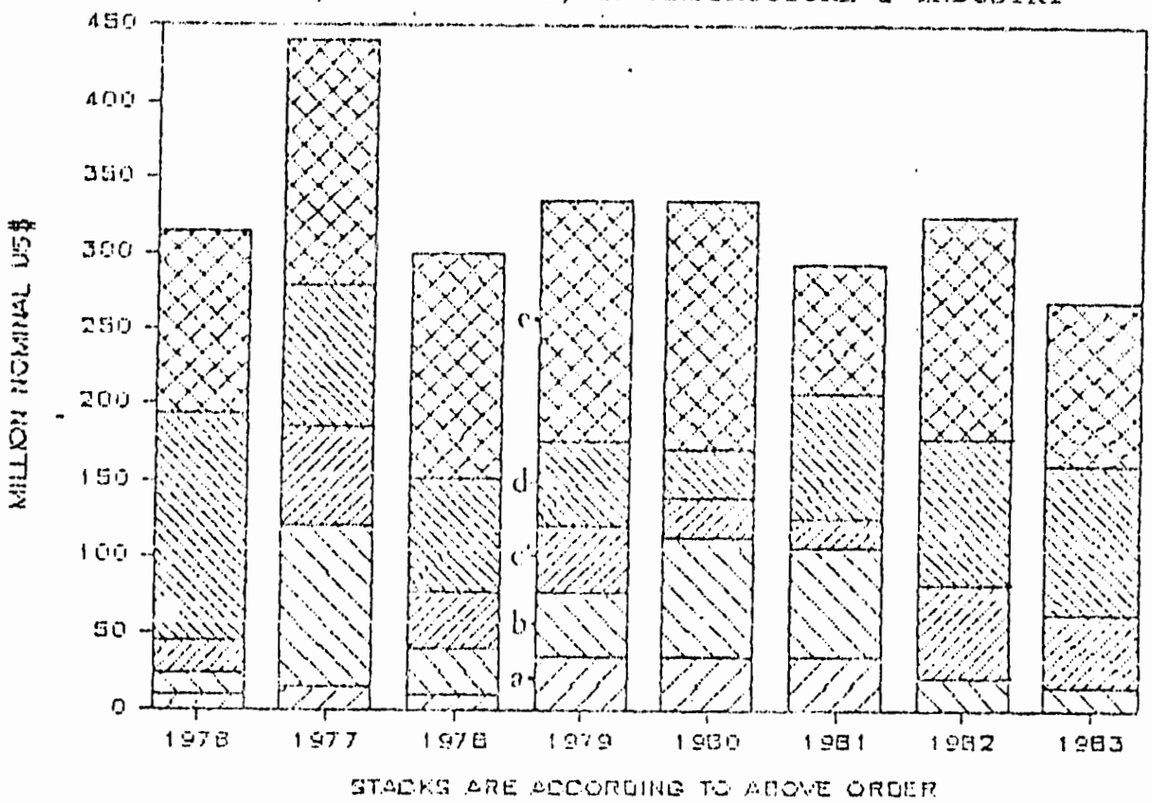


Source: Table D-8, D-9, and D-11

183

Figure D-7

CIP ALLOCATION TO PRIVATE, BASIC HUMAN NEED, AGRICULTURE, INFRASTRUCTURE & INDUSTRY



a - PRIVATE SECTOR

b - BASIC HUMAN NEED

c - AGRICULTURE

d - INFRASTRUCTURE

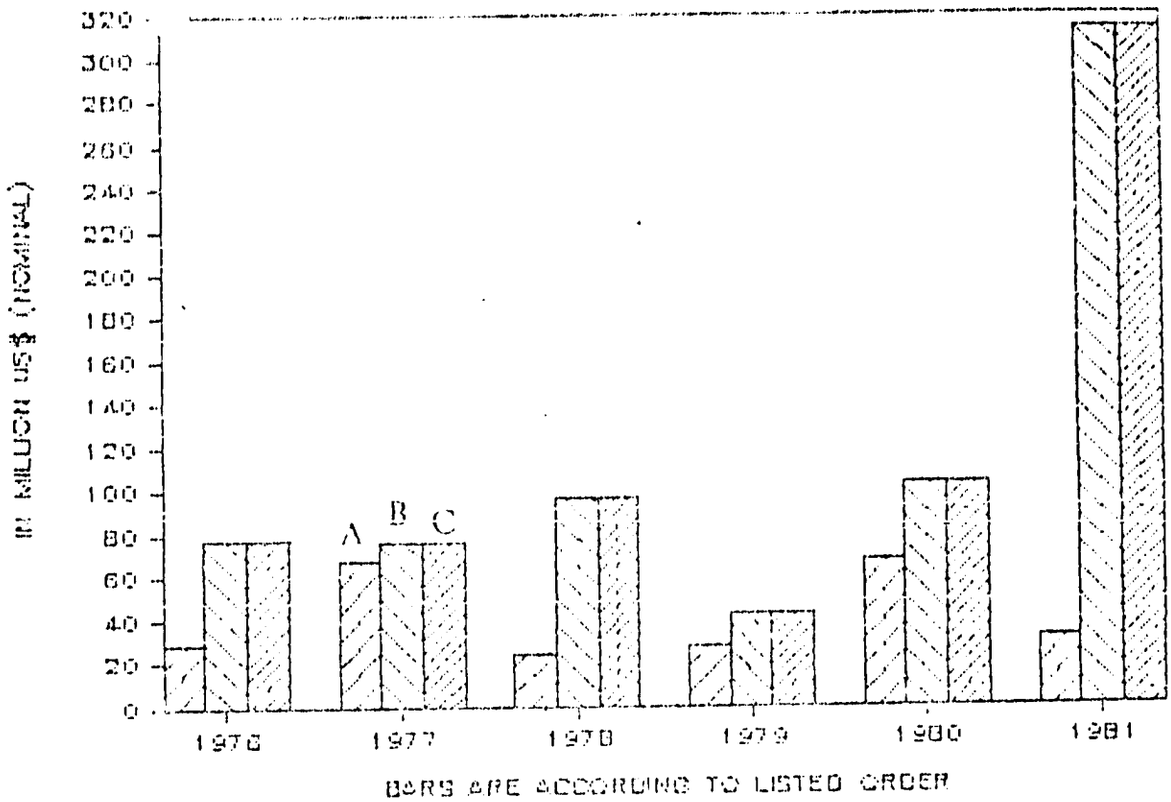
e - INDUSTRY

Source: AID - PAAD Proposal for FY 1984

Figure D-8

CORN:

CIP, IMPORT FROM U.S. & EGYPT'S IMPORT



Source: Table D-15

A - CIP

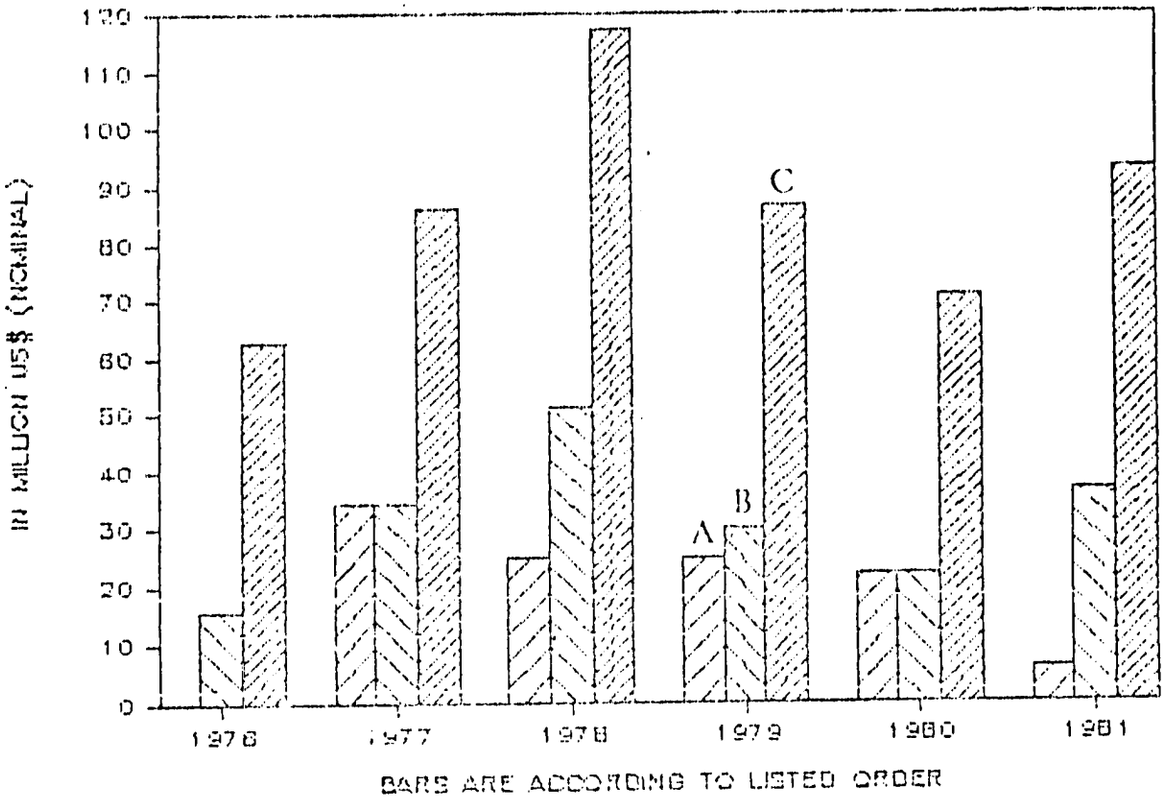
B - IMPORTS FROM U.S.

C - EGYPT'S IMPORTS

Figure D-9

TOBACCO:

CIF, IMPORT FROM U.S. & EGYPT'S IMPORT



Source: Table D-15

A - CIF

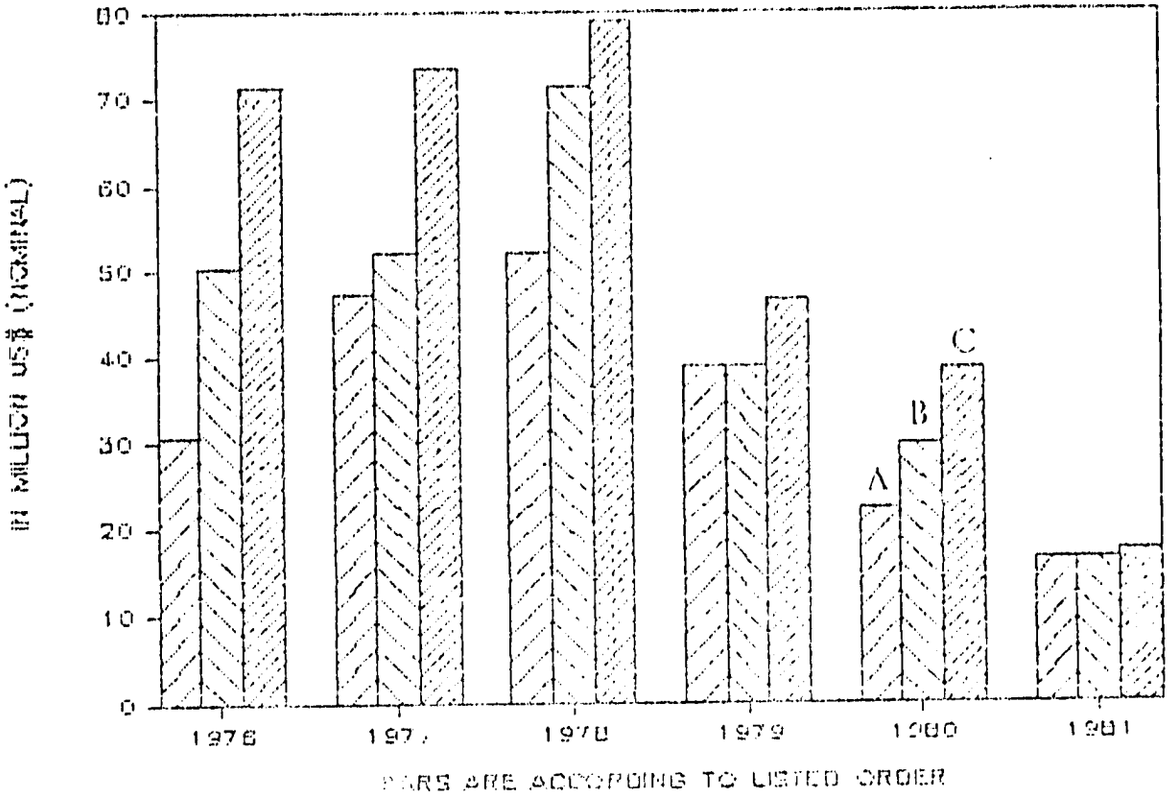
B - IMPORTS FROM U.S.

C - EGYPT'S IMPORTS

Figure D-10

TALLOW:

CIF, IMPORT FROM U.S. & EGYPT'S IMPORT



Source: Table D-15

A - CIF

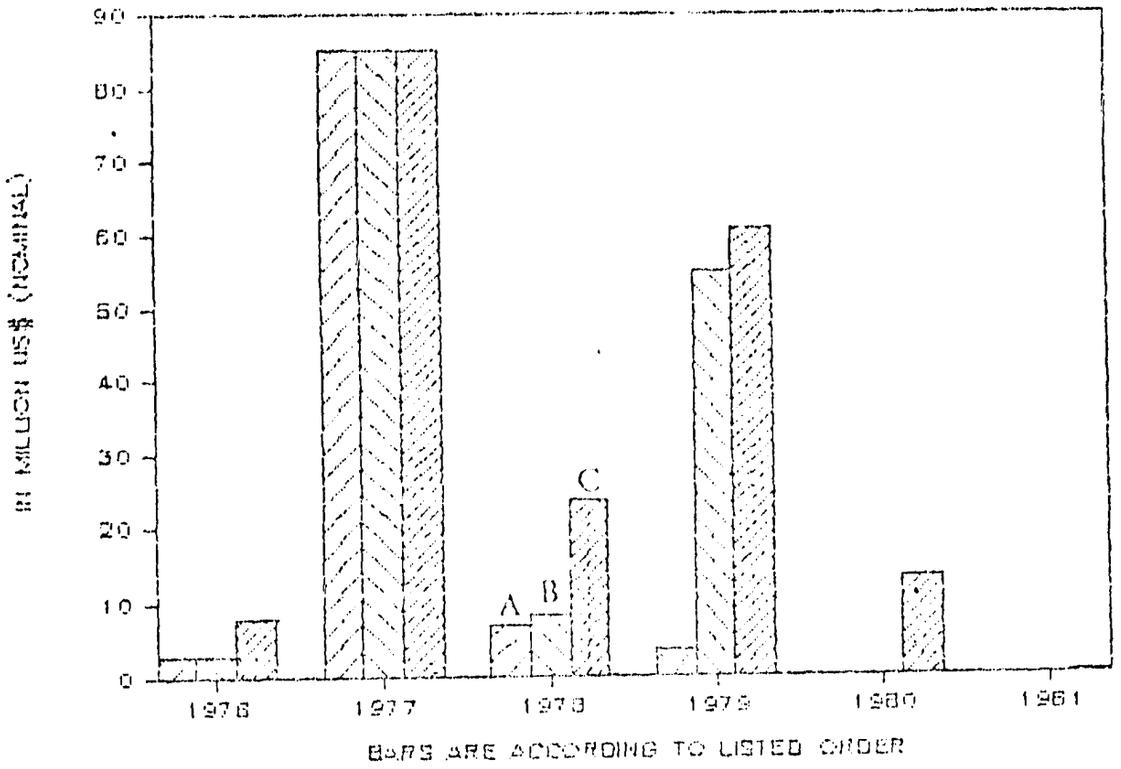
B - IMPORTS FROM U.S.

C - EGYPT'S IMPORTS

Figure D-11

VEGETABLE OIL:

CIP, IMPORT FROM U.S. & EGYPT'S IMPORT



Source: Table D-15

A - CIP

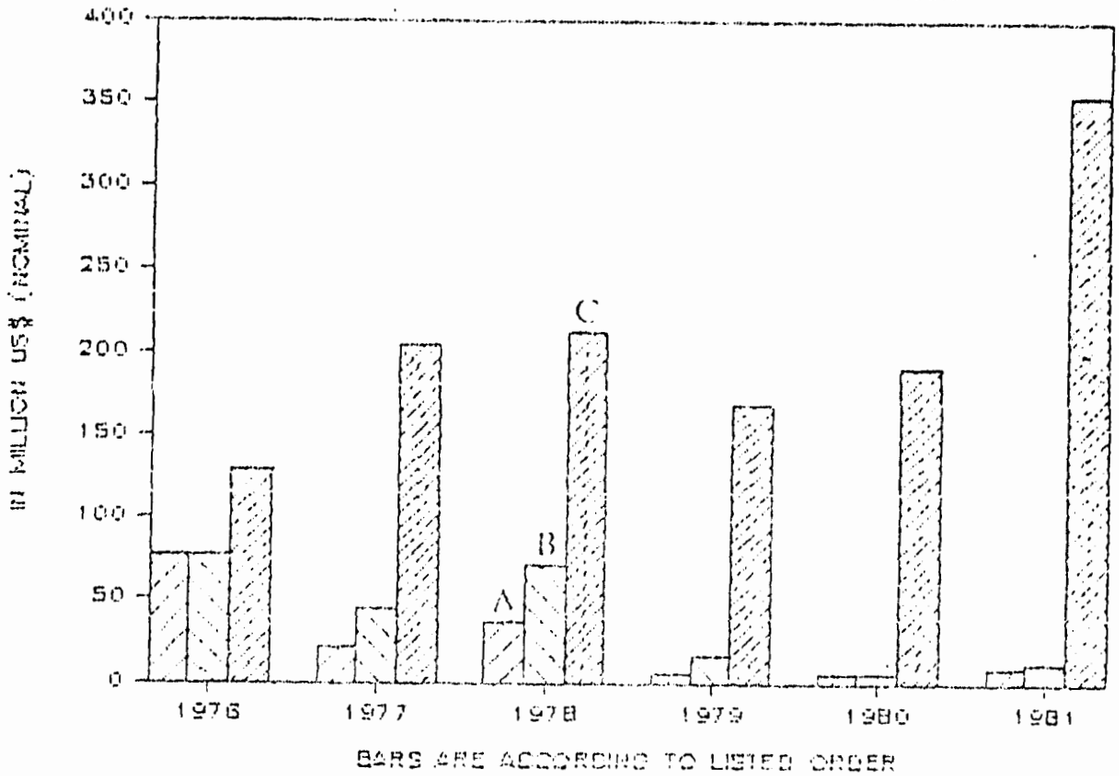
B - IMPORTS FROM U.S.

C - EGYPT'S IMPORTS

Figure D-12

MOTOR VEHICLES:

CIP, IMPORT FROM U.S. & EGYPT'S IMPORT



Source: Table D-15

A CIP

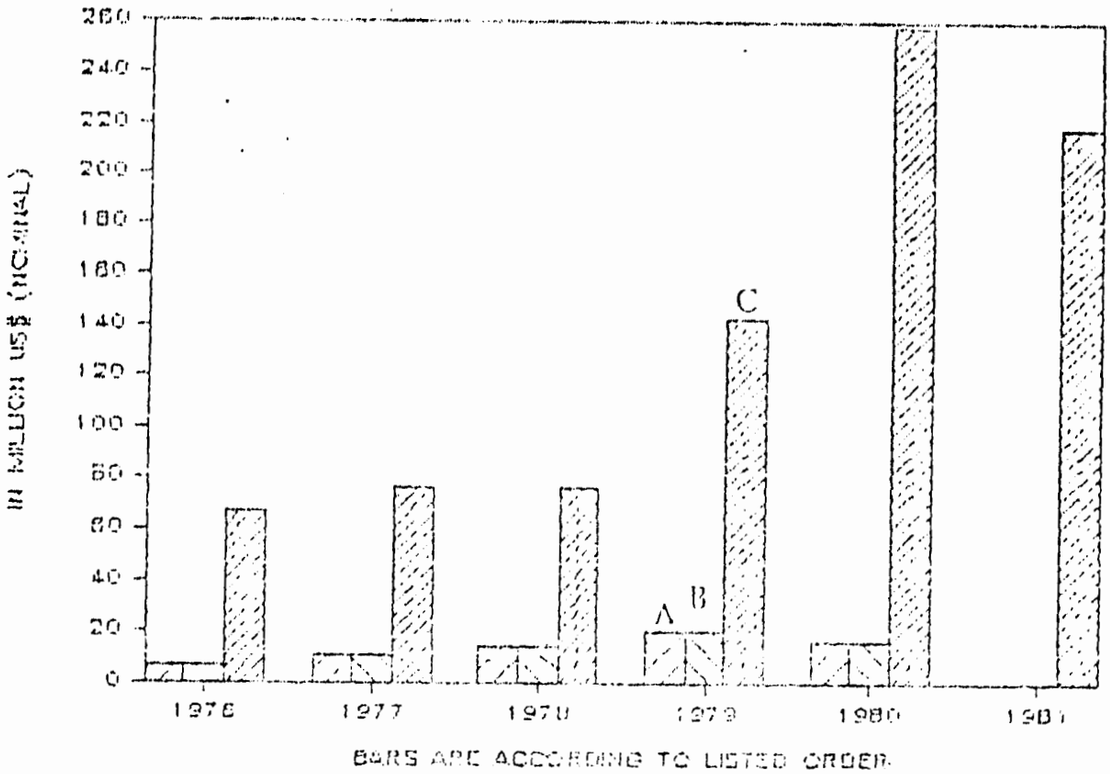
B IMPORTS FROM U.S.

C EGYPT'S IMPORTS

Figure D-13

IRON & STEEL STRIPS:

CIP, IMPORT FROM U.S. & EGYPT'S IMPORT



Source: Table D-15

A - CIP

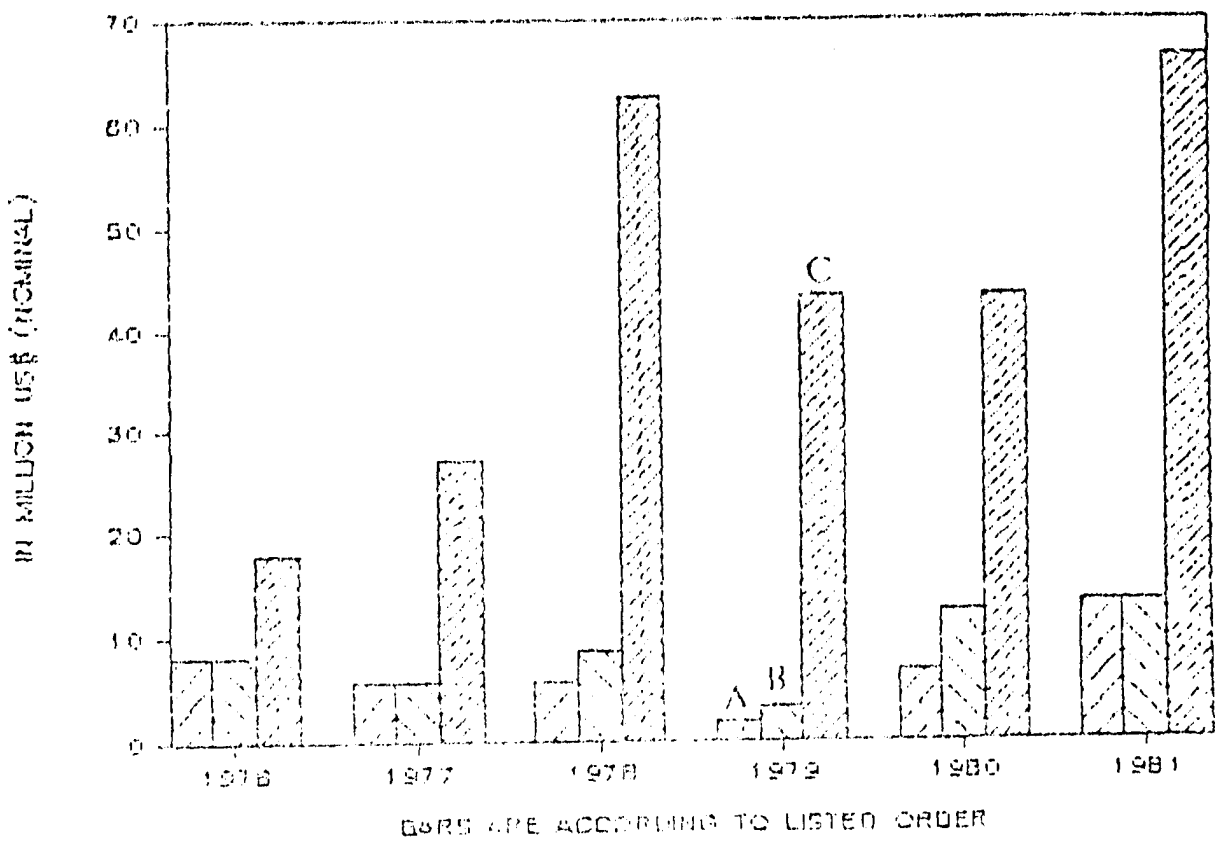
B - IMPORTS FROM U.S.

C - EGYPT'S IMPORTS

Figure D-14

TRANSFORMERS:

CIF, IMPORT FROM U.S. & EGYPT'S IMPORT



Source: Table D-15

A - CIF

B - IMPORTS FROM U.S.

C - EGYPT'S IMPORTS

Table D-12

Summary of GIP Financing

FY 1975 - FY 1983

(000 $)

Item	Amount Allocated	% of total	L/C's Opened	In Process	Available	% of Available to Amount Allocated
Agriculture	49,067	1.7	35,463	1,212	12,392	25.2
Central Agency for Auditing	2,500	0.1	-	-	2,500	100.0
Civil Aviation	7,150	0.3	1,869	81	5,200	72.7
Civil Protection	5,000	0.2	-	-	5,000	100.0
Communication	74,195	2.6	74,122	-	73	1.0
Education	72,374	2.6	44,721	4,559	23,094	31.9
Electricity	163,766	5.8	115,124	16,915	31,727	19.4
Finance	3,000	0.1	-	-	3,000	100.0
Health	17,219	0.6	10,027	-	7,192	41.8
Industry	722,574	25.6	607,665	13,206	101,703	14.1
Non-[illegible]	(652,1[illegible])	23.1	(546,402)	(4,890)	(100,805)	15.5
[illegible]	(70,38[illegible])	2.5	(61,263)	(8,310)	(808)	1.1
Information	102,582	3.6	87,485	2,051	13,006	12.7
Irrigation	21,560	0.8	9,873	1,286	12,421	57.6
Justice	1,000	0.4	-	-	1,000	100.0
[illegible]	51,[illegible]	1.8	22,537	4,660	24,761	47.6
Social Affairs & Lab.	3,152	0.1	-	2,000	1,152	36.5
Total	943,5[illegible]	33.4	888,370	2,001	53,179	5.6

Table D-12 (Cont'd).

Summary of CIP Financing

FY 1975 - FY 1983

(000 $)

	Amount Allocated	% of total	L/C's Opened	In Process	Available	% of Available to Amount Allocated
Trade	8,785	0.3	8,784	-	1	0.0
Transport	270,197	9.5	204,880	15,761	49,556	18.3
Governorates	61,598	2.2	36,693	6,325	18,580	30.2
Suez Canal Authority	46,468	1.6	40,534	2,929	3,005	6.5
Private Sector	137,813	4.9	133,447	-	4,366	3.2
TFF	15,919	0.6	5,919	-	10,000	62.8
MIC (unallocated)	46,246	1.6	-	-	46,248	100.0
	2,827,654	100.0	2,337,513	72,986	429,156	

* Opened up 1982

Source: AID - PMU Proposal for FY - 1984.

Table D-13

ANNUAL PERCENTAGE CHANGE IN TOTAL IMPORTS, TOTAL EXPORTS, GIP, TOTAL INVESTMENT AND CURRENT ACCOUNT BALANCE OF PAYMENTS(BOP)
1975 - 1981/82

YEAR	PERCENT CHANGE IN TOTAL IMPORT NOMINAL US$	PERCENT CHANGE IN TOTAL EXPORT NOMINAL US$	PERCENTAGE CHANGE IN GIP IMPORT NOMINAL US$	PERCENTAGE CHANGE IN TOTAL INVESTMENT NOMINAL US$	PERCENTAGE CHANGE IN CURRENT ACCOUNT BOP NOMINAL US$
1975	[illegible]	[illegible]		[illegible]	
1976	[illegible]	[illegible]		[illegible]	
1977	[illegible]	[illegible]		[illegible]	
1978	[illegible]	[illegible]		[illegible]	[illegible]
1979	[illegible]	[illegible]	(11.5667)	[illegible]	[illegible]
1980/81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1981/82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Table D-8 through Table D-11

Table D-14

PERCENTAGE OF CIP FROM EXPORTS TOTAL IMPORT FROM U.S.A., AND TOTAL IMPORTS FROM ALL SOURCES FOR SELECTED COMMODITIES, 1975 - 1981.

YEAR	COAL		VEGETABLE OIL		TALLOW		TOBACCO	
	PERCENT OF CIP FROM U.S.	PERCENT OF CIP FROM TOTAL EXPORT	PERCENT OF CIP FROM U.S.	PERCENT OF CIP FROM TOTAL EXPORT	PERCENT OF CIP FROM U.S.	PERCENT OF CIP FROM TOTAL EXPORT	PERCENT OF CIP FROM U.S.	PERCENT OF CIP FROM TOTAL EXPORT
1975	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1976	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEAR	[illegible]		[illegible]		TRANSCRIPTS	
	PERCENT OF CIP FROM U.S.	PERCENT OF CIP FROM TOTAL EXPORT	PERCENT OF CIP FROM U.S.	PERCENT OF CIP FROM TOTAL EXPORT	PERCENT OF CIP FROM U.S.	PERCENT OF CIP FROM TOTAL EXPORT
1975	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1976	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOURCE : CIP - WID DATA/EXIM

(1) [illegible]
(2) [illegible] from U.S.
(3) [illegible]

Commodity Group / Commodity	1975	1976	1977	1978	1979	1980	1981	1982
Food Grains								
Corn								
CIF		29.5	52.5	28.6	21.7	67.5	11.9	55.7
U.S.	[illegible]	[illegible]	26.5	[illegible]	[illegible]	105.6	31.8	
All Imports	[illegible]	28.5	26.5	[illegible]	62.8	105.6	31.4	
Veg. Oils								
CIF	11.[illegible]	[illegible]	5.1	7.0	3.9			
U.S.	[illegible]	2.8	[illegible]	6.[illegible]	55.9	-	-	
All Imports	[illegible]	8.6	[illegible]	23.3	66.8	13.1	0.2	
Raw Materials								
Tallow								
CIF	[illegible]	30.7	87.3	[illegible]	92.8	[illegible]	16.8	
U.S.	[illegible]	[illegible]	53.9	71.3	[illegible]	[illegible]	16.8	
All Imports	[illegible]	71.3	73.7	73.3	86.9	38.[illegible]	17.3	
Tobacco								
CIF	-	35.4	[illegible]	[illegible]	22.9	5.9	16.6	
U.S.	1.6	15.2	25.9	[illegible]	30.7	22.5	25.9	
All Imports	[illegible]	63.[illegible]	[illegible]	[illegible]	36.[illegible]	30.7	91.0	
Iron & Steel Scrap								
CIF	[illegible]	6.3	[illegible]	1.1	20.7	16.1	-	4.1
U.S.	3.3	[illegible]	1.[illegible]	18.1	[illegible]	[illegible]	-	
All Imports	[illegible]	9.[illegible]	26.[illegible]	[illegible]	18.9	[illegible]	217.7	
Capital Equipment								
Motor Veh.								
CIF	1.3	.7	[illegible]	[illegible]	5.[illegible]	6.3	8.9	1.1
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	35.5	6.7	17.1	
All Imports	[illegible]	1.[illegible]	[illegible]	[illegible]	1[illegible].6	[illegible]	356.1	
Tractors								
CIF	[illegible]	[illegible]	[illegible]	5.[illegible]	1.3	[illegible]	13.3	33.7
U.S.	[illegible]	[illegible]	5.7	[illegible]	[illegible]	[illegible]	13.3	
All Imports	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	46.7	

Source: [illegible]
U.S. & All [illegible]

Appendix E

LIST OF PROJECT TEAM MEMBERS
DEVELOPMENT ASSOCIATES, INC.

Mr. Stanley Siegel Team Leader	Senior Associate Development Associates, Inc. 2924 Columbia Pike Arlington, Virginia 22204
Mr. Laszlo Szimonisz Principal Team Member	Development Associates, Inc.

U.S. Bureau of the Census

Mr. Mick Hartz Principal Team Member	Chief, Evaluative Studies Branch International Statistical Programs Center U.S. Census Bureau Washington, D.C. 20233

Price Waterhouse Khattab

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Ms. Jane K. Lucien	Manager Price Waterhouse Khattab Management Advisory Services
Dr. Dyaa Kamal Abdou	Economist Price Waterhouse Khattab

#794.7

LIST OF PROJECT TEAM MEMBERS

Price Waterhouse Khattab
(Continued)

Dr. Riad El-Sayed Emarah	Economist Price Waterhouse Khattab
Mr. George H. Hogeboom	Senior Consultant Price Waterhouse Office of Government Services
Mr. Salman Abdul Quayyum	Senior Consultant Price Waterhouse Khattab
Ms. N. Rabab Butti	Staff Consultant Price Waterhouse Khattab
Ms. Dale L. Gavlak	Staff Consultant Price Waterhouse Khattab
Mr. Hussein Oteifa	Staff Consultant Price Waterhouse Khattab
Mr. Daniel G. Pfouts	Consultant Price Waterhouse Khattab

#794.7