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DSP I Monitoring & Verification
Final Report

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I. INTRODUCTION AND BACKGROUND

The Development Support Program I (DSP I) is a policy reform program designed to assist the Government of Egypt in achieving its planned reform measures. It follows three earlier sector policy reform programs (SPR I, II, & III) that began in the early 1990s. The accomplishments under these earlier programs are summarized in Annex I.

The specific policy measures supported under DSP I were termed "Indicators" in the Monitoring Plan agreed to between the Government and USAID. These performance measures were the means of achieving the Specific Objectives in the Memorandum of Understanding and served as the basis for disbursement of USAID funds. The purpose of this report is to present final information on the accomplishments under DSP I.

In 1999, the Government and USAID agreed on six DSP I general objectives, under which 23 specific Indicators were identified. Each Indicator was assigned a dollar value, which originally totaled $600 million. Subsequently the Government and USAID entered into discussions regarding the addition of several new policy reform initiatives to the original list of indicators. Eleven new indicators were agreed to that totaled $220 million and several original Indicators were modified. All of these Indicators are listed in Annex II. The Government could chose among these reforms for implementation with a maximum disbursement of $400 million being possible. For some of the indicators, pro rata disbursement was authorized as progress was made toward the objective.

The performance period for measuring Government policy actions relevant to these Indicators began on April 1, 1999. To be included in DSP I, actions to achieve the agreed upon objectives were to be completed as of June 30, 2002. As of that date, five disbursements had been made for a total of $369.1 million. In addition to those indicators accomplished and verified by that date, a new Intellectual Property Rights law had been enacted. The review of the content of this law, its draft implementing regulations and its compliance with the WTO Agreement was completed in February 2003. This final DSP I report includes the verification information for the new IPR law.

Progress also continues to be made on several other DSP I Indicators. Those indicators, which had not been fully achieved as of the end of DSP I, but on which further progress has been made include:

- 1.b. New valuation methods are being used for Law 203 and JV companies proposed for privatization and several additional firms were privatized after June 30, 2002.
- 2. A revised draft of the new Labor Law was approved by the Shura Council and is now under discussion in the Peoples Assembly.
- 3.a The Patent Cooperation Treaty was approved by the Peoples Assembly in September 2002.
- 5.c. The objectives proposed for a new Capital Market Law in the DSP I indicator are being achieved through regulatory reform and legal amendments rather than the enactment of a new law.
- 5.f. Necessary regulations to establish and regulate Margin Trading have been drafted and are under review.
- 5.g. A revised draft Competition Law has been submitted to the Peoples Assembly.

In addition, there had been discussion regarding the inclusion of the Basic Telecommunications Agreement (BTA) and the Information Technology Agreement (ITA) in DSP I as additional Indicators. Although no agreement was reached on doing so, there had also been discussion regarding including them in DSP II. The BTA was, in fact, signed prior to the end of DSP I.

The progress achieved for each of the indicators is summarized in the following sections.

II. STATUS OF DSP I INDICATORS

INDICATOR 1.a: The GOE shall privatize Law 203 and Joint Venture firms.

This indicator is a revision and combination of the original privatization indicators 1.a (privatization of Law 203 firms), 1.b (privatization of Joint Ventures), and 1.d (Lease Purchase) in the original DSP I Monitoring Plan. In the original Monitoring Plan, up to $140 million could be disbursed under DSP I for these three types of privatizations. Through the first three Monitoring and Verification Reports, $32.2 million was disbursed for Law 203 company privatizations and 0.1 million for lease purchases. The last revision of the Monitoring Plan allocated up to $40 million for privatizations ($1.5 million per transaction) of Law 203 or Joint Venture firms occurring after the third disbursement and prior to the end of DSP I.

Accomplishments During DSP I

As of the beginning of DSP I (April 1, 1999), 105 of the original 314 Law 203 affiliated companies (ACs) had been privatized and a number of others had been liquidated. Of the 105, 31 were privatized through public offerings and 17 were privatized through anchor investor sales. The privatized ACs included agriculture, real estate and construction, food and beverages, milling, pharmaceutical, cement, chemicals and fertilizers, engineering, retail sale and textile companies.

A total of 34 additional privatizations and two leases with options to buy were completed during DSP I. An additional five firms have been privatized since then. Total DSP I disbursements in support of privatization were $44.3 million.

INDICATOR 1.b: The GOE shall improve the valuation process for its Law 203 public enterprises and Joint Venture firms.

Background

This new indicator was added to DSP I in early 2002. The then existing privatization valuation process established reserve prices and expectations that often were significantly higher than the market perception or the prices investors were willing to bid. The true value of potential bids that might bring significant increases in investment, debt reduction, or worker payment increases was not always given enough consideration. And the discount rate used to assess the present value of projected cash flows was also too low. As a result the pace of privatization slowed significantly. Since 1999 fewer than 20% of companies formally offered for sale were successfully privatized.

It was agreed that the Government of Egypt would assemble a panel of experts on accounting and valuation to prepare a study of valuation methodologies and procedures suitable for Egypt's privatization program. This panel was to provide recommendations on the appropriate valuation techniques for enterprises with partial or total public sector ownership, including those under Law 203 and joint venture firms. Pro rata disbursement was possible as progress was made in preparing, implementing, and using these recommendations.

Accomplishments under DSP I

The PEO convened a meeting of a committee that reviewed the valuation methods appropriate to use for privatizations and prepared recommendations for their strengthening. In keeping with the DSP I Monitoring Plan a disbursement of $5.0 million was made in support of this action. Subsequently, elements of the revised approach were used in valuing firms being prepared for valuation.

INDICATOR 1.c: The GOE authorizes BOOT or BOT contracts, which are successfully let.

Background

Because of the GOE interest in new ways of involving the private sector in investing and developing infrastructure including telecommunications, power, roads, ports and airports, and water/wastewater, new approaches such as Build-Own-Operate-Transfer (BOOT) and Build-Own-Transfer (BOT) were included in DSP I. Several BOOT and BOT projects were awarded prior to and during DSP I.

Accomplishments During DSP I

Three BOOT/BOT contracts valued at $714 million were signed in 1999 for the container terminals at Port Said, Ein El Sokhna, and the petroleum handling facility at El Dekheila Port. Two BOOT contracts totaling $680 million were signed in September 1999 for electrical generating plants. It was agreed between the government and USAID that these two contracts would be counted toward the SPR III disbursement criteria while the three container terminal contracts would be included in DSP I. DSP I disbursements in support of BOOT/BOT contracts was $2.8 million.

One of the key requirements for a successful BOOT/BOT project is an adequate cash flow from the investment. This is why electric power projects are frequently approached through this mechanism. Many of the other BOOT/BOT ideas that are being pursued may have problems in this regard. At present most of these projects have not had feasibility studies carried out so it is difficult to know their potential suitability.

Equally important, Government decisions regarding private participation in utilities, infrastructure, power, telecommunications, and services appear to be determined by fundamental political and commercial factors. These factors and hence Government decisions do not appear to be of a nature that could usefully be affected by DSP support.

INDICATOR 1.d: The GOE continues to lease firms/units to the private sector on a long-term basis with an option to buy.

This original Indicator was combined into the new Indicator1.b, discussed above.

INDICATOR 1.e: The GOE sells its shares in electricity and telecommunication companies to the private sector.

Background

In March 1998, Law 18 was issued, whereby the electricity sector was restructured. The Egyptian Electricity Authority's electricity generating stations, along with their high voltage networks, were merged with existing Electricity Distribution Companies to form regional Electricity Companies (ECs). Law 18 allowed for the privatization of 49% of these companies. During the first quarter of 1999, EFG Hermes and Merrill Lynch were engaged as financial advisors to value the companies and to market the Initial Public Offering (IPO) of the shares in the seven ECs.

Accomplishments During DSP I

No telecommunications or electric power share sales occurred during DSP I. Consultants did prepare an IPO for telecom share sales. However, because of expected weakness in the international market for telecom shares, share sales have been deferred.

A draft telecommunications law was submitted by the Government to the Peoples Assembly that will organize operations of the sector and set guidelines for the relationships between the Government, the private sector, and service subscribers. A telecom regulatory authority is already in place.

For electric power, the government has transformed the Egyptian Electricity Authority (EEA) into a holding company. The holding company owns the seven regional power generation and distribution companies. The government plans to separate the generating facilities from the distribution companies and eventually privatize the latter. A Presidential Decree has been issued establishing a power regulatory authority – a key step in proceeding with the privatization program. EFG Hermes and Merrill Lynch identified significant financial and policy issues that need to be resolved before proceeding with the planned IPOs. The Ministry of Electricity and Energy and the Cabinet continue to work towards the resolution of the identified issues and the planned privatization of the companies.

Steady progress is being made toward private participation in the electric sector. However, the DSP I time frame was too short to complete all of the necessary actions required prior to carrying out the initial sale of shares.

INDICATOR 1.f: The GOE performs valuations for the four public sector insurance companies.

INDICATOR 1.g: The GOE achieves progress in implementing its plan to privatize the public sector insurance companies.

Background

To complement other privatization efforts, the GOE plans to restructure the second key component of the financial sector, the insurance sector. Through the enactment of Law 156/1998, the GOE set out to privatize the insurance sector. This law allowed private sector ownership in the four state-owned insurance companies. The law also removed all restrictions on majority foreign ownership of insurance companies and permitted non-Egyptians to manage insurance companies based in Egypt.

Insurance is identified as a key sector in expanding domestic savings for financing investment. Total insurance premiums are now barely 0.5% of GDP. The GOE expects that privatization of insurance companies will increase total insurance premiums to at least 4% of GDP.

Accomplishments During DSP I

The first stage in the privatization of the four state-owned insurance companies was completed. S &P and A.M. Best rated the four companies and Flemming and Morgan Stanley carried out their valuation**.** With the completion of the valuation of the insurance companies and the acceptance of this valuation by the Government, Indicator 1.f was accomplished and a disbursement of $10 million was made under DSP I. The additional actions necessary to achieve Indicator 1.g, privatization of the insurance companies, did not occur during DSP I.

INDICATOR 1.h: The GOE achieves progress in implementing its plan to privatize the public sector banks.

Background

In June 1998 the GOE issued Law 155/1998, which allowed for the privatization of state banks. The CBE took the initial steps towards privatizing the four public sector banks. A Ministerial Committee was formed to ensure the implementation and follow-up on bank privatization. The Committee evaluated the four state banks: the National Bank of Egypt (NBE), Banque Misr, Banque du Caire and Bank of Alexandria (BOA). These four banks accounted for 60% of the total assets of Egypt's commercial banks, two thirds of their deposits and three quarters of their branch offices in the mid 1990s. Since then, these percentages declined as the activities of the private sector banks increased. In February 1999, Standard and Poors announced the rating of two of the public sector banks: Banque Misr and Bank of Alexandria. More recently, the remaining two banks were also rated.

Prospects and Issues

Government spokesmen have indicated that the government does not currently plan to proceed directly with the privatization of these banks. At present there is a significant amount of debt and equity in SOEs and JVs held by these banks. Until the consolidation of debt/equity positions among the SOEs, JVs, banks and government can be rationalized and any issues of non-performing loans can be addressed, it will be difficult to proceed with full privatization. As an alternative approach, the Government is putting bank managers with international experience in charge of these banks. The Government is also seeking to move toward bank privatization by increasing the capitalization of these banks and the share held by the private sector by attracting private equity investors to them.

INDICATOR 1.i: The GOE agrees to use the privatization proceeds primarily for: debt retirement/financial restructuring of public enterprises to be privatized; employee compensation relating to downsizing/liquidation; costs of selling public enterprises; and reduction of domestic public debt.

Background

When the privatization program started, holding companies (HC) that sold their shares in affiliated companies (AC) were free to deposit the sales proceeds in commercial banks and to spend those proceeds on the needs of the firms in their HC. The main uses of proceeds were: 1) deposits with commercial banks, and 2) debt settlement. Other uses included: a) payment of capital taxes on the sales of assets, b) payment for workers' early retirement, and c) payment by the Holding Company for Mining and Refractory of "Living Expenses to the Mining Workers" (a compensation dictated by law, previously paid by the Ministry of Finance).

In August 1998, the Ministerial Committee on Privatization (MCP) restricted the use of privatization proceeds to transfers to the MOF, early retirement payments and settlement of public enterprises debts. Funds transferred to the MOF represented an additional revenue to the general budget and hence contributed to the reduction in the budget deficit.

Accomplishments During DSP I

Prior to November 99, the government directed two-thirds of the sales proceeds to the MOF and one-third was retained by the holding companies. In November 1999, the Prime Minister issued a decree establishing a special fund to support the privatization program that would receive 50% of sales proceeds. The remaining 50% went to the MOF. Having a central fund was an improvement over having the privatization funds generated remain with the responsible holding company. A central fund permitted allocations to the firms that can make best use of them. During DSP I, all reported proceeds were used for agreed upon purposes and DSP I disbursements of $10 million were made.

INDICATOR 2: The GOE enacts a new labor law.

Background

Labor Law 137/1981 governs employer/employee relationship. Formal discussion of a new labor law began in October 1991, with the establishment of a committee consisting of representatives from the Egyptian Trade Union Federation (ETUF), business organizations, the Ministry of Labor, the local legal community, and the International Labor Organization

(ILO). The ILO was asked to ensure that the new law did not contradict Egypt's international agreements, and provided funding for the endeavor.

After prolonged negotiations among unions, business associations, and the government, the Egyptian government drafted a law to dramatically diminish the state's role in labor affairs. The draft law was hotly debated because it represented such a sharp departure from previous Egyptian social/economic philosophy. It signified a formal withdrawal from the Nasserist "moral economy," in which Egyptians came to expect the state to guarantee job security and a living wage in exchange for their contribution to national production. The new law reduced job security enjoyed by the public sector workforce. At the same time it also reduced the potential for informal and often arbitrary means of terminating employment.

To be in keeping with the DSP I agreement, the new law was to include at least the following:

- Give both private employers and public sector managers greater leeway to hire and fire.
- Free labor unions from GOE control so that they can champion worker rights in a free market setting.
- Allow private sector employers to use temporary contracts.

Accomplishments During DSP I

Following the debate of the labor law, a revised law was drafted and approved by the Cabinet in 2001. This draft law contained the key elements of the DSP I Monitoring Plan. The revised law was presented to the Peoples Assembly and has been approved by the Shura Council. Final discussion of the law began in the Peoples Assembly at the end of 2002. Partial disbursement of $42 million was made under DSP I at the time of Cabinet approval of the new law.

INDICATOR 3.a: Egypt becomes a member of the Patent Cooperation Treaty.

Background

The Patent Cooperation Treaty (PCT) is an international agreement that provides an alternative procedure for obtaining patent protection in foreign countries. The PCT permits an applicant to apply for patents in member countries by filing a single "international application" in the applicant's own country and designating the countries in which patent protection is desired.   At present, the only way for an Egyptian applicant to obtain foreign patents is to file an application directly in a foreign patent office. As a result, Egyptians often do not protect their inventions in countries with significant markets.

Progress During DSP I

The EU- Egypt Partnership Agreement signed in 2001 stipulates that the PCT will be enforced. Opponents of the treaty had earlier argued that the immediate signing of the treaty would reduce the volume of activity of Egyptian patent agents. Another argument was that examinations of patents will take place outside Egypt hence, there will be a lack of control on such matters.   Nonetheless, the Peoples Assembly reviewed the issues and formally approved the treaty in September 2002. Although this final approval was after the terminal date for inclusion in DSP I disbursements and no disbursement was made, the objectives of this indicator have been accomplished.

INDICATOR 3.b: The GOE amends the Trademark Law.

INDICATOR 3.c: The GOE enacts a new Industrial Design Law.

INDICATOR 3.d: The GOE issues a decree protecting undisclosed information and data exclusivity for pharmaceutical products. (This originally was Indicator 3.f.)

Background

All of the individual IPR laws that the Government was considering at the beginning of DSP I were combined into one law. The background on the separate portions of the law that were included as indicators in DSP I is as follows:

Trademarks

The Egyptian Trademark Law was first enacted in 1939. Minor changes were required for Egypt's Trademark Law to conform to WTO standards. The principal addition is a provision establishing protection for appellations of origin. Amendments were also needed to reduce administrative requirements to register a trademark and to permit the Trademark Office to exercise some flexibility to assist applicants in meeting the requirements for registration. Uniformity with the WTO agreement in trademark law and practice will enhance trade relations with other countries.

Industrial Design

Prior to the new IPR law, the Industrial Designs Office did not have the authority to reject an application, even where it clearly did not satisfy legal requirements. The Office also published a journal of registrations, which included only bibliographic information and not a copy of the design itself, which was maintained in secrecy even after the design was registered…

Data Exclusivity

Under the WTO TRIPS Agreement, Egypt was to have in place by January 1, 2000, the data protection provisions outlined in TRIPS Article 39.3, relating to the protection of test and other data submitted for marketing approval of pharmaceutical products.

Early in DSP I the then MOEFT issued a decree that addressed data exclusivity objectives in a way consistent with the WTO Agreement. However, the Government subsequently decided to include data exclusivity in the new IPR law.

Progress to Date

The initial draft of the IPR law included a section that addresses some of the concerns regarding trademarks that were included in the DSP Monitoring Plan. Although the revised trademark law made a number of improvements, it also introduced provisions that had not been part of the 1939 law and which may require amendment. As a result, several additional issues needed to be addressed before Egypt's Trademark law would be WTO TRIPs compliant. These remaining issues were considered during the review of the law by the People's Assembly and several revisions were incorporated into the enacted law.

The new law requires the Industrial Designs Office to conduct searches and substantive examination for novelty, including publication for opposition, and publish registered designs. It also grants the Industrial Designs Office the legal authority to refuse the registration of industrial designs that do not meet the legal requirements for registration. The revisions agreed to in the DSP I indicator were included in the enacted law.

The new revised IPR law was approved by the Cabinet and was enacted by the Peoples Assembly in the first half of 2002 after extensive debate and public comment. The review of the content of the new IPR law in regard to TRIPS compliance was completed by the USG in February 2003. Based on that review, the elements of the new law pertaining to Industrial Design and Trademarks were concluded to be in compliance with the undertakings included in the DSP I Monitoring Plan. The provisions regarding Data Exclusivity were not fully consistent with the reform objectives included in the DSP I Monitoring Plan. The USG has recommended that the remaining issues relating to full TRIPS compliance should be addressed through the implementing regulations for the law.

The DSP I Monitoring Plan envisaged a maximum of $45 million could be disbursed in support of the three IPR related Indicators (Trademarks- $20 million, Industrial Design- $15 million, and Data Exclusivity- $10 million). On the basis of the review of the new law, a partial disbursement in support of the first two of these indicators is justified.

INDICATOR 3.e: The GOE reduces tariff rates and/or fees on imports. (Originally Indicator 3.d)

Background

One of the major components of the trade liberalization policy adopted by the GOE during the 1990s was the reduction in tariff rates and import fees. The maximum tariff rate was reduced from 80% to 70% in 1994, to 55% in 1996 and to 50% in 1997 (Decree No.229/1997). Brackets between the 30% rate and the maximum rate were reduced by ten percentage points, with the exception of the 40% rate which was reduced in July 1997 to 35% instead of 30%. In September 1998, the Ministerial Decree No.243/1998 was issued whereby the following changes in the tariff rates were made:

-The maximum tariff rate was reduced from 50% to 40%
-The 40% rate was reduced to 30%
-The 35% rate was reduced to 30%

These GOE actions to reduce tariff rates lowered the effective rate of protection (ERP) across the sub-sectors of the economy. The simple average ERP fell from 43.5% in 1994 to 32.9% in 1996 and to 31% in 1997. Similarly, the weighted-average ERP (using as weights the share of each sector in GDP) was reduced from 26.6% in 1994 to 21% in 1996 and to 20% in 1997.

As for the import fees, there are two types of these charges: a service fee and a surcharge fee. The first is 1% which is imposed on all types of imports, while the other is 2-3% (2% for commodities subject to 30% tariff rate or less and 3% for commodities subject to more than 30% tariff rates.

Prospects and Issues

In spite of the considerable reduction in tariffs in the 1990s, Egypt remains one of the more highly protected developing countries. There are no further specific GOE plans for future tariff reductions at this time. There are concerns within the government regarding the negative impact on government revenues in the short term that could result from further tariff reductions. Nonetheless, the Ministries of Foreign Trade and Finance have expressed interest in assessing the impact of further tariff reductions on revenues, employment, production and trade.

INDICATOR 3.f: The GOE adopts a new method of customs valuation. (Originally Indicator 3.e.)

Background

Egypt ratified its membership in the WTO in 1995 and became obligated to adopt the GATT/WTO Customs Valuation Agreement by June 30, 2000. The WTO extended the deadline for compliance until June 30, 2001.

Developments During DSP I

Because of the importance of the customs valuation issue, the sections of a new customs law concerning valuation were submitted separately to the Peoples Assembly and were enacted as amendments to the existing Customs Law. The new amendments establish the price paid or payable as the basis for customs valuation. However, the articles on valuation were very summary in nature and, for implementation to be effective, the drafting of the executive regulations and the development of operating procedures were particularly important.

The executive regulations for the new law were issued by the Ministry of Finance in June 2001. The executive regulations are broadly consistent with the WTO Agreement, although several specific elements are not. The Ministry of Finance and the Customs Service are reviewing those modifications that appear to be necessary to achieve compliance with the WTO agreement. The Government is also planning on a major reform of the operations of the Customs service to address this issue as well as others relating to customs. This work will continue beyond the end of DSP I.

INDICATOR 3.g The GOE establishes a system that simplifies import inspection and sampling procedures as an important step toward compliance with WTO TBT and SPS agreements.

Background

In the past, several ministries in several different locations carried out import inspection procedures. Testing was done purely for quality aspects as well as for health and safety, tests were often slow, criteria frequently changed, and some of these procedures represented a considerable obstacle to trade.

Accomplishments During DSP I

As an important step toward dealing with these issues, President Mubarak issued Decree 106 on 2 Feb 2000 "Concerning Facilitation of Inspection and Control Procedures for Exports and Imports." This decree directs personnel from the various inspection agencies to be detailed to GOEIC's branch offices "where a joint headquarters shall be equipped with the necessary laboratories." It indicates that these personnel will be under the administrative supervision of GOEIC and shall be authorized to assume inspection and certification functions without referral to higher authority.

The GOE took an important step toward implementing Decree 106 with the issuance of Decrees 346 and 524 that provide the executive regulations that simplify import inspection and sampling procedures. These decrees specify sampling quantities, time allowed for testing, and procedures for handling the samples. In keeping with the DSP I Monitoring Plan $20 million was disbursed in support of these actions.

Initial discussions with importers indicated that the decrees were being implemented and had simplified the import process considerably. However, subsequently there were reports that the overall difficulty of customs inspection had reverted to much the same level of difficulty as earlier. The Ministries of Finance and Foreign Trade have indicated that they intend to take further steps to address these issues and other related problems.

INDICATOR 4.a&b: The budget deficit is less than 1.4% of GDP in FY 1999 and FY 2000.

Background

The measures taken by the government under the Economic Reform Program, resulted in a substantial reduction in the budget deficit to 3.5% of GDP in 1992/93, 2.1% in 1993/94, 1.3% in 1995/96 and 0.9% in 1996/97. The budget deficit reached 1% in 1997/98, which exceeded the planned target by less than 0.1% of GDP. This small deviation from the target was the result of declining revenues from tourism after the Luxor incident and the decline in oil export prices.

Developments During DSP I

The deficit of 1.3% of GDP in 1998/99 initially reported by the Government did not include a significant amount of extra budgetary expenditures on infrastructure projects that are now understood to have been made by the National Investment Bank. With the GOE's inclusion of these expenditures, the 1998/99 deficit increased to 4.2%. The deficits for 1999/00, 2000/01 and 2001/02 were 3.9%, 5.5% and 5.7% respectively. These higher deficits are a reflection of the costs associated with continuing the projects for which the extra budgetary expenditures were initially made in 1998/99 as well as the government's subsequent decisions to increase social welfare expenditures and public sector salaries to partially deal with the overall downturn in economic activity. The budget deficits prior to FY 1998/99 remain as previously reported.

The DSP I Monitoring Plan noted that "...a number of studies have concluded that deficits greater than 2% of GDP are destabilizing and can significantly retard the Country's progress. Hence, partial disbursement will not be considered (for the budget deficit indicator) if the deficit exceeds 2% of GDP." Higher deficits either lead to inflation or, if overall credit expansion is controlled, to crowding out of private sector activity by the government. The general picture of economic performance beginning in 1999 supports a view that there were liquidity and credit difficulties affecting economic performance of the private sector. Data also shows a downturn occurred in production and sales beginning in 1999. Although what the optimum deficit level should be for Egypt cannot be estimated with precision, the available evidence strongly suggests that the higher deficits beginning in 1998/99 and the way in which they were financed were not good for the economy.

INDICATOR 5.a: The MOE drafts, approves and begins to implement a plan for reforming the insurance industry.

Background

The GOE issued Law 156 in June 1998 to amend the insurance laws 10/1981 and 91/1995 and allow for the privatization of public sector insurance companies and the operation of foreign insurers in the domestic market. Foreign competition was expected to benefit consumers and the industry since it would reduce the price of insurance policies and introduce updated technology. Reforming insurance regulation was considered a must to ensure fair competition among all insurance market players.

The GOE took positive steps towards a liberalized insurance market through tariff deregulation for most classes of insurance activities, privatization of most joint venture insurance companies, and authorization of foreign competition in the market. However, some of the insurance rules and regulations needed to be amended and others needed to be created and implemented. More transparency and disclosure were needed among market players, and better trade practices were to be ensured and closely monitored by EISA to protect consumers.

Accomplishments During DSP I

Several issues were agreed to in the DSP I monitoring plan as examples of what might be included in an insurance sector reform plan. The following four were considered as minimum components of an effective reform plan.

1- monitoring trade practices, advertising and sales materials by EISA;
2- effective dispute resolution between insurance companies;

3- allowing both local and foreign insurance and reinsurance brokers to equally participate in the market;
4- Effective regulation of private pension funds.

EISA completed a draft reform plan for the insurance industry and the then MOEFT approved it in September 2000. The plan contained the above four key elements as well as many others that were important for the development of the insurance industry in Egypt. The Government implemented by decree the element of the reform plan concerned with the regulation of trade practices. The actions agreed to in the DSP I Monitoring Plan were fully accomplished and $20 million was disbursed in support of this accomplishment. The Government is continuing to implement the elements of the time phased reform plan.

INDICATOR 5.b: The GOE reduces the percentage of re-insurance that must be placed with Egypt-Re.

Background

The private insurance sector in Egypt comprises twelve insurance companies: four state companies, six private sector companies, and two free zone companies (operating exclusively in the free zones). Egypt-Re, which is a state company, is the only local re-insurer. Since all insurance companies use re-insurance to spread the risks and to avoid over-concentration in certain types of insurance, re-insurance is a vital sub-sector in the insurance market.

Insurance companies working in the Egyptian insurance market are required to reinsure part of their insurance transactions carried out in Egypt with Egypt-Re. Each insurance company was required to purchase reinsurance from Egypt Re for an average of 30% of their revenues. Cessions for life insurance were fixed at 50% of risk premiums for the amounts above the company's own retention. Cessions for non-life business, except transportation, motor, and some miscellaneous branches, were fixed at 30%. Cessions for transportation, motor, and some miscellaneous branches were 25%. The compulsory cessions to Egypt Re imposed a burden on insurance companies since it increased the retention they have to keep and affected their investment portfolios. It also discouraged foreign reinsurance companies from participating in the Egyptian insurance market.

In recognition of this, in early 1999 a decree was issued that established a plan for reducing these mandatory levels of reinsurance at Egypt Re.

Accomplishments During DSP I

The percentage of reinsurance that must be placed with Egypt Re was reduced as agreed to in the DSP I Monitoring Plan and $20 million was disbursed.

INDICATOR 5.c The GOE amends the Capital Market Law.

Background

In 1992, the GOE issued the Capital Market Law 95 (CML) to revitalize the Egyptian securities markets. The law empowers the Capital Market Authority (CMA) to act as the regulator of the market. The CML provided the framework for the establishment of capital market intermediaries including: brokerage firms, mutual funds, mutual fund management companies, portfolio managers, underwriting institutions and venture capital firms. Provisions within the law also facilitated the issuing of corporate bonds. Furthermore, the law allowed foreign ownership of Egyptian securities.

The Egyptian capital market has developed significantly since the promulgation of the CML in 1992, resulting in several amendments and enhancements to the law or its executive regulations. These include the elimination of the capital gains tax, the introduction of other securities and activities not originally included in the executive regulations, and requiring periodic filings of financial statements of listed companies. The Government has been working on the legal and regulatory revisions and additions required by the increasing complexity and sophistication of the Egyptian capital market. Originally it was thought that this would best be accomplished through the enactment of a new Capital Market Law and this benchmark was based on that understanding. However, the Government subsequently decided that it was preferable at this time to introduce many of the needed reforms through amendments of existing laws and the issuance of new regulations and listing requirements for the stock market.

Accomplishments During DSP I

Of the seven proposed elements of a new Capital Market Law (CML) that were included in the DSP I Monitoring Plan, two were accomplished through the Central Securities Depository and Registry Law (dematerialized shares and beneficial ownership). Three of the others have been partially accomplished through significant additions to the listing rules for CASE. These are "additional enforcement powers against fraudulent, manipulative conduct, price manipulation, and insider trading," "clear definitions of prohibited conduct," and "improved methods of dispute resolution". The listing rules address insider trading and prohibit it. Although only courts can levy fines for prohibited conduct, the CMA can take actions against prohibited practices, which are comparable to a fine. For disputes over denial of a listing application through CASE, listing rules were established that provide for an appeal to the Board of Directors by an issuer. Achieving the benchmark of a statutory basis for self-regulatory organizations, in regard to CASE, will require that CASE first establish itself as a private sector entity.

The final benchmark (objective standards for issuing securities ratings) may not have been an appropriate objective for DSP I. Consultants working with the CMA have advised that Regulators do not set criteria/standards for ratings. Ratings are "opinions" of rating agencies and they alone determine their standards. Thus, it is not anticipated that this should be a responsibility of the capital market authority. However, the executive regulations do license rating agencies. Two credit rating agencies have been licensed in Egypt and are operating.

INDICATOR 5.d The GOE enacts a new stock market depository law.

Background

Misr Clearing, Settlement and Central Depository (MCSD) is a shareholding company acting as a central clearing house and depository. It started providing clearing and settlement services for both physical shares and dematerialized/immobilized shares in October 1996. As of April 1999, 158 securities (75% of actively traded shares) were either immobilized or dematerialized and were traded through the depository clearing, settlement and depository facilities.

Accomplishments During DSP I

No legislation was in place to regulate these activities. The GOE identified the need to establish a clearing, settlement and depository law. The then Ministry of Economy, CMA and MCSD drafted a law with the assistance of an U.S. law firm and the Capital Market Development Project. The new law covers legal and operational issues related to securities, settlement, depository, and registry activities. This law was enacted by the Peoples Assembly.

The content of the law and the relevant elements in the DSP I monitoring plan are:

1. Recognize dematerialized shares. (Included in the new law.)
2. Change legal transfer of title from trade date to settlement date. (Included in the law.)
3. Grant MCSD an SRO. (The new law did not grant MCSD an SRO status. According to the consultants to the CMA, it was never intended that the law would include this provision.)
4. Recognize concepts of nominee ownership and beneficial ownership. (Included in the new law.)
5. Misconduct and penalties clearly defined. (The law introduces fines as penalties, rather than suspending companies' operations, as the latter type of penalties could have adverse effects on investors.)

The law also recognizes the settlement guarantee fund, established by a CMA decree to protect investors from the risk of settlement failure. A disbursement of $20 million was made under DSP I as a result of the achievement of this benchmark.

INDICATOR 5.e: The GOE enacts a new law governing mortgages.

Background

In Egypt, the mortgage market is underdeveloped. Only 3% of total credit and investment portfolios of the banking sector is allocated to real estate. A mortgage market, meaning the market for financing real estate assets, is an essential component of the development of an efficient financial sector. Given the importance of real estate's share of all the tangible capital in a country, and the potential for real estate collateral to secure large amounts of debt, the real estate finance system should become an engine of innovation for the rest of the financial sector.

Accomplishments During DSP I

A draft law was prepared in 1999 on which the Government solicited extensive comments from the private sector. Following this process, the Government revised the draft law to reflect the concerns of the private sector. This law received final Cabinet approval and was enacted by the Peoples Assembly. The law provides for the basic regulatory structure for a mortgage market, introduces an effective foreclosure procedure, and lays the basis for primary and secondary mortgage markets. The executive regulations for this law were issued and a new Real Estate Finance Authority was established to provide support to the new system. Although further work is underway to establish all the elements of the system needed for a functioning mortgage market and permit efficient securitization of mortgages, the new law satisfied the objectives of the DSP I Monitoring Plan and $20 million was disbursed under DSP I.

INDICATOR 5.f The GOE issues regulations required to regulate margin trading.

Background

Margin trading in equities presently takes place in Egypt but without regulatory oversight. The current practice puts both customers and brokers at risk. It also creates risks to the banking community and to the trading of stocks in general.

Margin trading increases the volume and consequently the liquidity of capital market transactions. It allows investors to more fully participate in the capital markets and by increasing their ability to invest it increases the amount of capital available for private investment. Regulating margin trading will protect the investors; limit the exposure of the broker/dealers; and define and limit the credit risk to the banking system. That current margin trading practices come under appropriate regulation would be desirable not only for the protection of all the market participants but also for the support of the orderly functioning of the stock market itself.

Accomplishments During DSP I

Draft regulations regarding Margin Trading were prepared. It is planned that an electronic reporting system will be put in place. CMA guidelines for brokers regarding what information must be provided to clients who wish to do margin trading have been drafted. The content of the documentation that will be required for margin trading has also been prepared. Several workshops for participants are to be held. Completing this work will continue in 2003. The CMA is also concerned that not all of the currently licensed brokers may have the necessary experience and qualifications to be involved in margin trading. Thus although a great deal of the work needed to put margin trading on a sound basis was finished, the system itself did not become operational by the end of DSP I.

INDICATOR 5.g: The GOE enacts a competition law.

Background:

The importance of this legislation relates to several factors. On the domestic level, the increasing role of the private sector and foreign investment require the existence of a framework to protect consumers and improve the efficiency of the economic sectors through competition. The domestic market has witnessed certain monopolistic practices in some sectors such as building materials, agriculture products and financial services, which need to be addressed. On the international level, the WTO agreement requires the existence of national anti-trust and competition policies. The free trade agreement between Egypt and the EU also includes such a requirement.

The law should provide for an equitable competition regime in which there is a commitment to the removal of as many as possible of the barriers to entry and other bureaucratic barriers. It should provide a clear set of objectives and lay out a suitable framework in which markets can function efficiently and in the public's interest. It should provide for deregulation where appropriate and for a regulatory and arbitration regime that is compatible with available technical and administrative capacity.

Progress During DSP I:

The GOE completed a draft Competition & Anti-trust law, which was reviewed by different interested parties in the private sector and modified on the basis of these and other recommendations. The Government requested that this draft law be reviewed and commented on by U.S. agencies and this was completed. The GOE plans to establish an independent body to be responsible for the enforcement of the law once the People's Assembly enacts it. It is planned that the law and the implementing body will be complemented by other legislation related to privatization, foreign trade policies and consumer protection. However, the work on this legislation and institutional establishment was not completed by the end of DSP I.

INDICATOR 5.h: The GOE issues a decree that removes restrictions on Broker Fees.

Background

The GOE set maximum charges for some small transactions in the capital market. MOE Decree 1994/478 set broker fees at a maximum of ½ of one percent for stock transactions of less than LE 10,000 and 1/5 of one percent for all other market transactions less than LE 10,000. This restriction discouraged brokers from engaging in small transactions, thereby limiting the access of small investors to the stock market. It is important that the Egyptian capital market evolve over time to one in which such fees are set competitively and facilitate rather than restrict transactions. The market should develop so that fees for these transactions are set so as to both cover costs and facilitate transactions. Doing so will contribute to a broader and more effective market.

Accomplishments During DSP I

The Minister of Economy and Foreign Trade issued a decree that eliminated government restrictions on broker fees and $5 million was disbursed under DSP I.

INDICATOR 5.i: The GOE issues a decree that establishes a code of good practices for bond rating agencies.

Background

The Government agreed that it would establish a code of good practices and basic requirements for accreditation of bond-rating agencies. The intent was to enhance the transparency and ensure the quality of ratings and to ensure that rating agencies operate professionally, independently, and objectively.

Accomplishments During DSP I

It was agreed that information submitted to rating agencies be kept confidential, that the Capital Market Authority would be the accrediting authority, that there should be no conflict of interest on the part of rating agency board members, owners or staff in respect to firms that they rate, and that any issuer must provide accurate and complete information to the rating agency. The Minister of Economy and Foreign Trade issued a decree that established a code of good practices for bond rating agencies. It includes the elements agreed to in the DSP I Monitoring Plan and $5 million was disbursed.

INDICATOR 6.a: The GOE issues a decree to advance the development of domestic debt markets.

Background

The CBE uses T-Bills to transact repurchase agreements (repos) on a buy, sell back basis. These are transactions between the CBE and the owners of the T-Bills whereby the CBE repurchases the bills from customers and then sells back to that customer at an agreed upon price and stated time. Repos are used as a monetary tool. The CBE intends to expand the use of repos for T-Bonds and use reverse repos for T-Bills and T-Bonds to develop a capacity to drain excess reserves from the system. To expand the use of repos and reverse repos, the CBE has to develop standard practices and procedures for such transactions.

Another important component to enhance the distribution of government securities in the primary market and to stimulate secondary market trading was the establishment of a primary dealer system. Primary dealers are banks and investment dealers authorized to buy and sell government securities in direct dealings with the CBE. Such dealers must be qualified in terms of reputation, capacity and adequacy of capital, staff and facilities. The primary dealer system coupled with an open auction system will provide a fair pricing mechanism by opening the market for investors and supplying a reliable liquidity source.
The Capital Market Development Project assisted the CBE in the following areas:

1- Developed standard practices and documentation for repos and reverse repos for both T-Bills and T- Bonds.
2- Designed procedures allowing the establishment of a primary dealer system and setting the criteria for dealer selection to activate a secondary debt market. The US Treasury also assisted in this area.

Accomplishments During DSP I

Ministerial Decrees 43/2000 and 44/2000 allowing the establishment of dealers for secondary market trading in fixed income securities were issued in January 2000. The Government issued Decree 480/2002 in April 2002 that established the procedures for the selection and regulation of primary dealers. This set of decrees satisfies the objective of this indicator and $25 million was disbursed.

INDICATOR 6.b: The GOE passes legislation to facilitate the operation of competitive, well-ordered primary and secondary debt markets.

Background

An appropriate public debt law and regulations are important for the development of primary and secondary markets for government debt instruments. The legislation should define responsibilities in debt issuance and trading and supervisory regulation of these activities. The US Treasury, with USAID financing, is providing assistance to the MOE in drafting a public debt law.

Developments During DSP I

The U.S Treasury with USAID financing assisted in drafting a new debt law. The US Treasury also provided the government with an advisor on debt management. According to the Ministerial Cabinet's Counselors Committee the draft law has been sent to the Ministry of Justice for review. However, because of other legislative priorities, the law was not submitted to the Peoples Assembly during DSP I.

INDICATOR 6.c: The GOE establishes a book-entry registry for government securities.

Background

It is important to strengthen the domestic debt market in order to foster stabilization efforts and enhance private investment through facilitating the dematerialization of government debt. This should help increase liquidity in the market, simplify transfer of ownership, ensure safety of transactions, reduce time and expenses of the transfer of ownership of securities, and help encourage portfolio investment through establishing international best practices.

If Egypt is to achieve its ambitious growth targets, it must develop a debt securities market that can efficiently intermediate fixed-rate capital and provide the CBE with the means of conducting indirect monetary policy. At the beginning of DSP I, T-Bills were issued in paper form and could be transferred only by endorsing the certificate. This made clearing and transfer of secondary trades too expensive and time-consuming to accommodate the volume and speed of trading necessary for indirect monetary policy.

A government debt book-entry system will replace the traditional paper certificate registry of securities ownership with a computerized system that actively maintains the securities outstanding and makes coupon and principal payments. A government securities book-entry system also has the capacity to track transfers of ownership and to facilitate their settlement. Eventually there should be such a system for both government bills and bonds. However, the first phase will be focussed on treasury bills only.

Accomplishments During DSP I

The establishment of a book entry system was successfully accomplished. The Government procured the necessary hardware, trained the staff, and purchased the software required for this system. In June 2002 the Central Bank instructed all banks to hand over their T Bill certificates to the Central Bank to be replaced with statements of account from the electronic book entry system. A $10 million DSP I disbursement was made in support of this accomplishment.

INDICATOR 6.d: The government establishes a public debt management unit in the Ministry of Finance.

Background

One of the prime roles of ministries of finance worldwide is the management of the debt, which needs to be issued to fund the government. It is the debt management department, which makes the decisions about how that debt is to be issued.

In a country with emerging bond and money markets, it is essential that sovereign debt issuance be planned in such a manner as to help develop stable and viable primary and secondary markets in government debt. (See also Indicator 6.a in the DSP I agreement.) This is especially important since sovereign debt issuance and trading plays a special role in establishing the viability for all private debt issuance and trading. The GOE issued a decree to establish MOF/Central Bank recognized Primary Dealers to underwrite and maintain secondary markets in GOE debt. The GOE also is working toward enacting a new public debt law to enhance the operation of a competitive, well ordered primary and secondary GOE debt market. (Indicator 6.b in the current DSP I agreement.) To support both these measures, the Ministry of Finance agreed to establish and staff a public debt management unit.

Accomplishments During DSP I

The Ministry of Finance established a debt management unit and the core staff required was recruited and is in place. A $10 million DSP I disbursement was made.

INDICATOR 7: The GOE adopts a Comprehensive Macroeconomic Policy Reform Plan.

Background

The worldwide economic downturn that occurred after the events of September 11, 2001 had a significant adverse impact on an already slowing Egyptian economy. Egypt's foreign exchange receipts dropped dramatically due to significant decreases in tourism, lower oil revenues, as well as reduced receipts from the Suez Canal. These economic factors put pressure on the Egyptian pound, adversely affected Egypt's ability to import needed commodities, dampened private sector activity and investments, reduced domestic revenues and may have increased unemployment.

To address the economic crisis Egypt took a strategic look at its macroeconomic policies and drafted a comprehensive reform program to enable Egypt to emerge from the situation stronger and better able to withstand economic shocks. The development by the GOE of a comprehensive plan to address its economic challenges constituted this benchmark.

Developments During DSP I

The GOE developed a Comprehensive Macroeconomic Reform Plan that addressed the issues of policy consistency across the GOE's exchange rate, monetary and fiscal policies. The plan also described the Government's legislative agenda and provided an update of its sectoral reform plans. The plan served as a key element of the discussions at the Donors Conference on Egypt in January 2002. A disbursement of $100 million was made in support of this, as agreed to between the Egyptian and U.S. Governments.

Annex I: ACCOMPLISHMENTS UNDER SPR I, II, & III

1. Trade Related Measures

S I: A review was conducted and recommendations made regarding removal of regulations and laws that ban private sector imports and exports of commodities produced by the public sector. In 1992 and 1993, the blanket ban on private imports of these commodities was replaced initially by two decrees that identified 130 specific commodity imports that were to continue to be banned (about 10% of total production). This was then reduced to 28 commodities (about 4.3% of production). Also, five of the nine special conditions that severely restricted the import of petroleum products were eliminated.

S I: A review was also conducted of all the decrees issued by various ministries that restrict or ban exports or imports. Subsequently, all bans and restrictions on exports, (other than pharmaceuticals, scrap metal and raw leather) were removed. Also the experts committee's role in determining prices and giving approvals was eliminated.

S II: In 1996 the Minister of Supply issued a decree that eliminated its taxes and fees on exports. Additional decrees were issued in 1997 that further eliminated fees and charges imposed on exports and their transportation that were not based on the cost of services.

S II: A one-stop shop was established for exporters at all ports. The provision of maritime services was opened to the private sector.

S I, II, & III: The maximum tariff rate, the number of different tariff levels, and the dispersion of tariffs were substantially reduced in the early 1990s. The maximum tariff rate (with a few exceptions such as alcoholic beverages) was reduced from 120% in 1991 to 40% in 1998. The trade weighted average effective rate of protection was reduced from 26.6% in 1994 to about 20% in 1998.

S III: Private companies were allowed to provide ground services at airports. In 1996 foreign owned companies and foreigners were allowed to export. Foreign airlines are now allowed to compete with Egypt Air.

2. IPR

S I, S II & III: A study of consolidating the various offices responsible for patents, trademarks, and industrial design was carried out and an action plan for modernizing IPR functions was prepared. Agreement was reached between the Ministry of Trade and Supply and the Ministry of Scientific Research as to their specific responsibilities. The patent, trademark, and industrial design offices have been unified. Staffs have been trained and IPR laws are being more strongly enforced with more significant penalties being applied.

3. Competition, Employment, and Information Technology

S I: The control by the Ministry of Tourism of the prices that can be charged by tourism related businesses was ended. Since 1995 market forces have been allowed to determine prices.

S II: Licensing for investments at the governorate level has been eliminated and most security-related approvals have been dropped. Also procedures for registration in and obtaining information from the commercial register have been simplified.

S III: Elements of the Civil Code were reviewed and modernized through new laws and amendments enacted in 1999.

4. Privatization

S I: In the 1950s and 60s nearly all Egyptian businesses were nationalized. Beginning in the late 1970s, private investment began to be encouraged. In 1992 the Egyptian government prepared a plan and procedures for the privatization of the 314 public enterprises that were organized under Law 203/1991. By the end of the SPR, 185 of these companies had been either sold to the private sector, liquidated, leased, or major assets from them sold.

The sales proceeds from these privatizations enabled 160,000 redundant workers to be given early retirement. Privatization and the use of sales proceeds enabled bank debt of public enterprises to be reduced by LE 13 billion, saving the government LE 1 billion in annual interest costs.

S III: The GOE began to encourage private investments in infrastructure for ports, highways, airports, electric power, etc. through BOOT/BOT contracts.

5. Fiscal Policy – Taxes and Administration

S I & II: During the past ten years the GOE steadily expanded the coverage of the general sales tax. It now covers producers, wholesalers and retailers. The GOE also made substantial progress in reforming the personal income tax regime. Tax rates that varied depending on the source of income have largely been consolidated. The exempted minimum level of income has been increased and maximum tax rates were reduced from 65% to 48%.

S III: Corporate tax regulations were significantly improved. Differential treatment based on revenue source has been reduced and depreciation procedures rationalized.

SII &III: During the 1990s the government substantially reduced the level of public sector expenditure as a portion of GDP. This fell from 43% of GDP in 1991/92 to 24.7% in 1998/99. During the same period public capital expenditures fell from 13.3% of GDP to 5.3%. The budget deficit was also substantially reduced as a percentage of GDP. (Although subsequently these percentages increased as previously off budget items were integrated into the budget presentation.)

6. Banking and NBFIs

S I: In the early 1990s the government assessed constraints to the more efficient functioning of the banking sector and central bank supervisory and bank inspection procedures. Following the completion of these assessments, controls on bank fees were eliminated, interest rate controls on corporate bonds were removed, and approval for the establishment of bank branches was expedited for banks meeting higher capital asset ratios. The central bank also revised its bank supervision procedures and bank inspection regulations were reformed. The government eliminated the tax on interest, which had previously been removed on other capital income. Foreign banks and insurance companies were once more allowed to operate in Egypt.

S II: Public ownership of joint venture banks began to be reduced in the mid 1990s. In 1992, 16 of the 23 JV banks had public sector ownership greater than 50% and none had less than 20% public ownership. By the end of 2000, only 7 JV banks had public ownership above 50% and 8 had public ownership less than 20%. At the same time, the portion of total deposits in the four state banks fell steadily.

D I: The government approved a reform plan for the insurance industry and began its implementation. The mandatory percentage of reinsurance that has to be placed with the public sector reinsurance company has been steadily reduced.

7. Capital Markets

S I & II: In 1992 the GOE enacted a new Capital Market Law that revitalized the Egyptian securities markets. In the mid 1990s the government reviewed the Capital Market Law and carried out a study of the feasibility of introducing new financial instruments. Following this, restrictions on broker's fees were eliminated and the Capital Market Authority issued revised regulations permitting the issuance of new forms of securities.

S II: Regulations and enforcement procedures were established so that Egyptian companies will use international accounting and auditing standards.

S III: The Capital Market Authority issued numerous new prudential regulations for several areas of financial services. An investor protection fund was also established.

ANNEX II. DSP I INDICATORS and DISBURSEMENTS (As of 12/31/2002)

Indicators	Value	Disbursed
Original DSP I Indicators		
1.a Privatization of Law 203 Companies* (Included in new Indicator 1.a)	*$95.0	$44.2
1.b Divestiture of Joint Venture Firms* (Included in new Indicator 1.a)	*$30.0	$0.0
1.c BOOT/BOT Contracts	$15.0	$2.8
1.d Leases With Option to Buy* (Included in new Indicator 1.a)	*$15.0	$0.1
1.e Electricity and Telecommunication Share Sales	$15.0	$0.0
1.f Valuation of Public Insurance Companies	$10.0	$10.0
1.g Privatization of Public Insurance Companies	$15.0	$0.0
1.h Privatization of Public Sector Banks	$15.0	$0.0
1.i Use of Privatization Proceeds	$10.0	$10.0
2. Enactment of New Labor Law	$70.0	$42.0
3.a Patent Cooperation Treaty	$10.0	$0.0
3.b Trademark Law	$20.0	TBD
3.c Industrial Design Law	$15.0	TBD
3.d Reduction in Import Tariffs (Now Indicator 3.e)	$65.0	$0.0
4.a FY 1999 Budget Deficit	$25.0	$0.0
4.b FY 2000 Budget Deficit	$25.0	$0.0
5.a Insurance Industry Reform Plan	$20.0	$20.0
5.b Reduction in Mandatory Reinsurance with Egypt Re	$20.0	$20.0
5.c Capital Market Law	$20.0	$0.0
5.d Stock Market Depository Law	$20.0	$20.0
5.e Mortgage Law	$20.0	$20.0
6.a Development of Domestic Debt Markets	$25.0	$25.0
6.b Public Debt Law	$25.0	$0.0
Subtotal	$600.0	$214.1
Additional Indicators		
1.a Privatization Valuation Method	$20.0	$5.0
3.d Data Exclusivity	$10.0	$0.0
3.f Customs Valuation,	$20.0	$0.0
3.g Import Sampling Procedures,	$20.0	$20.0
5.f Margin Trading,	$5.0	$0.0
5.g Competition Law,	$15.0	$0.0
5.h Liberalized Broker Fees,	$5.0	$5.0
5.i Bond Rating Agencies,	$5.0	$5.0
6.c Book Entry Registry, and	$10.0	$10.0
6.d Debt Management Unit.	$10.0	$10.0
7. Government Economic Reform Plan	$100.0	$100.0
Subtotal	$220.0	$155.0
Totals (Not including IPR law disbursement)	$820.0	$369.1

*The original Indicators 1.a, 1.b, and 1.d were combined into a new Indicator 1.a, Privatization of Law 203 Companies, after the fourth disbursement. The value of this new indicator is $40.0 million, in addition to the $32.3 million that was previously disbursed for the original three indicators.

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